



Audit and Risk Management Committee

Date: TUESDAY, 28 JANUARY 2014
Time: 1.45pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Alderman Nick Anstee
Nigel Challis
Revd Dr Martin Dudley
Jamie Ingham Clark
Oliver Lodge
Alderman Ian Luder
Jeremy Simons
Hilary Daniels (External Member)
Kenneth Ludlam (External Member)
Caroline Mawhood (External Member)
Roger Chadwick (Ex-Officio Member)
Jeremy Mayhew (Ex-Officio Member)
Hugh Morris (Ex-Officio Member)

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Lunch will be served in the Guildhall Club at 1pm

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **TO ELECT A CHAIRMAN IN ACCORDANCE WITH STANDING ORDER 29**
For Decision
4. **TO ELECT A DEPUTY CHAIRMAN IN ACCORDANCE WITH STANDING ORDER 30**
or Decision
5. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 11 December 2013
For Decision
(Pages 1 - 8)
6. **OUTSTANDING ACTIONS OF THE COMMITTEE**
Report of the Town Clerk
For Information
(Pages 9 - 12)
7. **STRATEGIC RISK REVIEW (SR4) - PLANNING POLICY**
Report of the Chief Planning Officer
For Information
(Pages 13 - 18)
8. **STRATEGIC RISK REVIEW (SR5) - FLOODING IN THE CITY**
Report of the Director of the Built Environment
For Information
(Pages 19 - 32)
9. **RISK MANAGEMENT UPDATE**
Report of the Chamberlain
For Information
(Pages 33 - 50)
10. **FRAUD AWARENESS TRAINING - UPDATE REPORT - TO FOLLOW**
Report of the Chamberlain
11. **INTERNAL AUDIT CUSTOMER SATISFACTION REVIEW**
Report of the Chamberlain
For Information
(Pages 51 - 54)
12. **CITY OF LONDON CORPORATION - CITY FUND - PLANNING REPORT TO THE AUDIT AND RISK MANAGEMENT COMMITTEE**
Report of the External Auditors
For Discussion
(Pages 55 - 90)

13. **CITY OF LONDON CORPORATION - PENSION SCHEME - PLANNING REPORT TO THE AUDIT AND RISK MANAGEMENT COMMITTEE**
Report of the External Auditors
For Discussion
(Pages 91 - 112)
14. **BRIDGE HOUSE ESTATES, CITY'S CASH, CITY'S CASH TRUSTS, THE CORPORATION'S SUNDRY TRUSTS AND OTHER ACCOUNTS**
Report of the External Auditors
For Discussion
(Pages 113 - 130)
15. **COMMITTEE WORK PROGRAMME**
Report of the Town Clerk
For Information
(Pages 131 - 132)
16. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
17. **ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT**
18. **EXCLUSION OF THE PUBLIC**

RESOLVED: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

19. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the Non-Public minutes of the meeting held on 11 December 2013
For Decision
(Pages 133 - 134)
20. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY**
Report of the Town Clerk
For Information
(Pages 135 - 136)
21. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
22. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

Part 3 - Confidential Agenda

23. **CONFIDENTIAL MINUTES OF THE PREVIOUS MINUTES**
To approve the Confidential minutes of the meeting held on 11 December 2013

For Decision
(Pages 137 - 138)

AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 11 December 2013

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Wednesday, 11 December 2013 at 1.45pm

Present

Members:

Jeremy Mayhew (Chairman)
Alderman Nick Anstee (Deputy Chairman)
Alderman Ian Luder
Nigel Challis
Revd Dr Martin Dudley
Oliver Lodge
Jeremy Simons
Jamie Ingham Clark
Hugh Morris (Ex-Officio Member)
Kenneth Ludlam (External Member)
Hilary Daniels (External Member)

In Attendance

Officers:

Susan Attard	- Town Clerk's Department
Neil Davies	- Town Clerk's Department
Julie Mayer	- Town Clerk's Department
Simon Murrells	- Town Clerk's Department
Chris Bilsland	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Suzanne Jones	- Chamberlain's Department
Paul Nagle	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Sabir Ali	- Chamberlain's Department
Chris Keesing	- Chamberlain's Department
Nick Bennett	- Moore Stephens
Angus Fish	- Deloitte

1. APOLOGIES

Apologies were received from Robin Eve, Roger Chadwick and Caroline Mawhood.

The Chairman announced that, following his recent election as Deputy Chairman of the Finance Committee and with effect from the next meeting on 28 January 2014, he would be standing down as Chairman of the Audit and Risk Management Committee. The Deputy Chairman announced the same intention.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

Further to a question being raised under agenda item 20, Jamie Ingham Clark, Jeremy Simons and Rev Dr Martin Dudley declared interests as members of the Guildhall Club Committee.

3. **MINUTES OF THE PREVIOUS MEETING**

The Deputy Chairman advised that, since the minutes had been circulated in draft, shortly after the last meeting, he had proposed a couple of amendments. These had been agreed with the Chairman and were reflected in the minutes circulated with the agenda.

The public minutes and summary of the Audit and Risk Management Committee held on 15 October 2013 were approved as a correct record.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members noted that the following items would be discharged on this agenda:

- Publication of City's Cash
- Internal Audit Charter.

The following items would be added/amended:

- Risk Management Improvement Plan – a full report would be presented January.
- Chief Officer Appraisals – once available, the Deputy Town Clerk would add specific dates.
- Anti-fraud awareness course - officers were looking at the paper version of the course to test the level of understanding. The course would also be introduced for new starters, as part of the induction process and repeats would be scheduled at appropriate intervals.
- Anti-Fraud investigations - it would be helpful to show the value of each case and to ensure the outcomes of prosecutions received adequate publicity.
- Cash Handling and Banking Audit – In some cases, actions in response to recommendations would be better split into two parts. A separate action plan making this distinction will be brought back to the Committee and included within the audit recommendation follow-up reporting. Committee to review overall banking arrangements in one year's time.

5. **STRATEGIC RISK 3: FINANCIAL STABILITY, AND STRATEGIC RISK 14: LONGER TERM FINANCIAL UNCERTAINTY**

The Committee received a report of the Chamberlain, which explained the changes to Strategic Risk (SR) 3 – Financial Stability, and SR14 - Longer Term Financial Uncertainty. The Chairman advised that the Chairmen of Finance and Policy and Resources Committee had not able to attend today, but felt that consideration of Strategic Risk reports was more productive when the relevant Chairmen or a nominated Deputy were present.

During the debate and discussion, the following points were raised:

- The Chancellor's autumn statement was as expected, but there was still uncertainty about the longer term, particularly after the 2015 General Election. It was likely that local authorities would receive 5-year settlements and, whilst this meant less uncertainty, it could also mean less funding.
- The City of London Corporation's low tax base was a significant risk.
- The on-going Service Based Review would extend the targets to City's Cash, but members noted that Bridge House Estate funding could only be used for charitable purposes.
- Members agreed that the Committee should continue receiving this report at the appropriate point in future financial years.

6. DELOITTE'S ANNUAL AUDIT LETTER ON THE CITY FUND AND PENSION FUND FINANCIAL STATEMENT

The Committee received Deloitte's Management Letter and noted that, when the above accounts were presented in October, there were a few outstanding items. The accounts had since been signed off and the Financial Services Director advised the Committee of two significant amendments:

1. An immaterial uncorrected error on an accrual for a capital project.
2. An update to reflect discussions at the last Committee on Crossrail.

During the discussion and debate, the following matters were discussed/noted:

- Rental income was not as predictable as pre-recession, but was likely to increase steadily.
- There would always be some minor differences of opinion over revenue and capital classifications for maintenance/improvements.
- All recommendations for VAT compliance would be implemented. The City was also looking at partial exemption forecasting.
- Recruitment to an additional post was taking place, to assist with VAT compliance.
- The Director felt that the audit fees represented very good value for money, given Deloitte's constructive and swift work. Deloitte's were present and had nothing further to add.

In concluding, the Chairman asked that, should the Committee receive revised versions of the accounts in the future, they be shown as tracked changes.

7. **ANTI FRAUD AND INVESTIGATION UPDATE REPORT**

The Committee considered a report of the Chamberlain, setting out the investigation activity since the September Committee. It also detailed the pro-active anti-fraud work currently being undertaken.

In respect of the previous low response rates to the on-line fraud course, the Chamberlain was pleased to advise that performance was currently at 90% and 100% in some areas. The previous issues with system compliance had been resolved and a paper version produced for staff without internet access.

In respect of the poor performing areas, members agreed that the Chamberlain should write to the relevant Chairmen and Chief Officers, on behalf of the Chairman of the Audit and Risk Management Committee, giving them 6 weeks to comply. If performance was still poor at this time, the relevant Chief Officers would be instructed to attend the next meeting of the Committee on 28 January 2014. In response to questions, the Director of Business Services explained that officers were looking at the paper version of the course to test the level of understanding. The course would also be introduced for new starters, as part of their general induction process and repeats would be scheduled at appropriate intervals.

In respect of the other items covered in the report, members suggested that it would be helpful to show the value of each case and to ensure the outcomes of prosecutions received adequate publicity. Members noted that there had been a recent rise in the number of cases, following the implementation of pro-active data sharing with a credit reference agency.

RESOLVED – that:

1. The progress of the Fraud Awareness training and the actions taken to facilitate delivery of the training, to all staff across the City Corporation, be noted.
2. The pro-active social housing fraud drive, undertaken in partnership with a major credit reference agency, be noted.
3. The outcomes of investigations undertaken since the last update report be noted.

8. **THE CARE QUALITY COMMISSION (CQC) UNANNOUNCED ROUTINE INSPECTION OF THE ADULT SOCIAL CARE REABLEMENT SERVICE**

The Committee received a report of the Director of Community and Children's Services and noted the outcome of the recent Inspection of the Adult Social Care Reablement Service. Members noted that this should have been an announced inspection but, due to an administrative error, the Community and Children's Services Department had not been notified and the Inspection was therefore unannounced. Despite this, the Inspector's report had been very

favourable and members commended the Director and his staff. The Director advised that publicity was being sought via the Public Relations Office.

9. INDEPENDENT REVIEW OF RISK MANAGEMENT - DEVELOPMENT AND IMPLEMENTATION OF ACTION PLAN

The Committee received a report of the Chamberlain, which provided an interim position in respect of the external review of Risk Management, reported at the last meeting. The Director advised that the Committee would receive a more structured report in January, with implementation dates and a clearer sense of priority.

10. INTERNAL AUDIT UPDATE REPORT

The Committee received a report of the Chamberlain, which provided an update on Internal Audit activity since the September Committee. During the discussion and debate, the following matters were raised/noted:

- The Internal Audit team were nearly at full capacity, given that the vacancy level had been very high at one point. Members noted that selection criteria included strong contract management skills and were also pleased to note the recent improvement in performance of the MITIE contract.
- In order to ensure completion of the audit plan, the 2 current interim posts would be retained, for a 3 month period, once the new full time employees had started. Following this, the position would be reviewed
- Members noted that the Internal Audit Team would be subject to a Peer Review in the first quarter of 2014. The Head of Internal Audit and Risk Management advised that self-assessment was underway and the self-assessment would be shared with the Chairman and Deputy Chairman next month. The outcome from the Peer review would be reported to the Committee in May.

11. INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT

The Committee considered a report of the Chamberlain, which provided an update on the implementation of audit recommendations since the last meeting in September 2013.

Members were pleased to note no outstanding red actions and commended the team on this significant progress. The Head of Internal Audit and Risk Management advised that clear expectations were being set at the beginning of audit reviews and, by the time the reports were being finalised, red actions had permanently been completed and many of the amber ones.

12. AUDIT AND RISK MANAGEMENT COMMITTEE'S TERMS OF REFERENCE

The Committee considered a report of the Town Clerk, which set out the Committee's Terms of Reference. The Town Clerk had recommended that Members consider amending 4 (b) to state '*Head of Internal Audit*' instead of '*Chief Internal Auditor*'.

Members suggested the following amendments:

- Reference to 'non local authority funds' could be more specific, following the publication of City's Cash accounts.
- The restrictions on the Deputy Chairman of the Audit and Risk Management Committee could be revisited, given that Audit and Risk Management Committee Members can also be Chairmen of other Committees. It was suggested that the knowledge and experience these members might bring to other committees could outweigh any potential conflict of interest.
- The procedure for the appointment of external members (Agenda Item 19) could, perhaps, be referred to in the Terms of Reference?

RESOLVED – that, any further changes which arose from now until the January meeting of the Committee be considered in the usual manner, and anything which arose after that be approved by the Town Clerk, in consultation with the Chairman and Deputy Chairman.

13. COMMITTEE WORK PROGRAMME

The Committee received the workplan and noted the following additions:

- January – City Fund Management Letter (Deloitte)
- March – External Audit Plans (subsequent to the meeting, the plans from both Deloitte and Moore Stephens were moved to January).

14. DECISIONS TAKEN UNDER DELEGATED AUTHORITY/URGENCY

The Committee received a report of the Town Clerk recording a delegated authority to approve the final set of accounts (also referred to in Agenda Item 6). Members noted that, due to the Chairman's family circumstances at the time, he had nominated Alderman Luder to sign the delegated authority on his behalf. Subsequently, the Finance Committee approved the Accounts on 19 November and the Court of Common Council ratified them on 5 December 2013.

15. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

16. ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT

There were no items of urgent business

17. EXCLUSION OF THE PUBLIC

RESOLVED - THAT:

Under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items, on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act.

Item No (s)	Para No (s)
17-18	3
19	1&2
20	3
21	-
22	1,2 &3

18. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

The non-public minutes of the meeting held on 15 October 2013 were approved.

19. APPOINTMENT OF EXTERNAL MEMBERS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Committee considered a report of the Town Clerk.

20. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

21. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
Risk Management Improvement Plan	<ol style="list-style-type: none"> 1. Review the language within risk guidance to avoid using terms with negative connotations. 2. Action Plan from the Independent Review of Risk Management 	Suzanne Jones/ Sabir Ali	Full report to the January Committee
Emerging Strategic Risks – Agilisys and Oracle upgrade	Query raised at Members only meeting	Chris Bilsland	To update members at the January Committee
Internal Audit Recommendations follow-up report	<p>Deputy Town Clerk agreed that the timely implementation of Internal Audit recommendations would be included in Chief Officer appraisals.</p> <ol style="list-style-type: none"> 1. For Chief Officer appraisals, held in April/May each year, the Corporate Performance and Development Team will gather information from Internal Audit relating to the whole of the financial year being reviewed, and provide that to the Town Clerk. 2. The Corporate Performance and Development Team also contact Internal Audit prior to every Chief Officer Performance Improvement Meeting (with the Deputy Town Clerk) to gather the most up-to-date information on un-implemented recommendations, and other relevant issues. After each meeting, feedback is provided to Internal Audit. 	Susan Attard/Neil Davies	Once available – dates will be provided. Expected to be May 2014
International Centre for Financial Regulation	Chamberlain advised Members to await the outcome of the police report, before taking a view about risk assurance implications.	Chris Bilsland	Further to the outcome of the police report, Members will be updated on risk assurance implications and advised of the likely timings, which are currently difficult to predict. Once they are known, 'lessons learnt' in terms of audit and risk processes, will be considered.

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
Cash Handling and Banking Audit	In some cases, actions in response to recommendations would be better split into two parts.	<ol style="list-style-type: none"> 1. Paul Nagle 2. Caroline Al-Beyerty 	<ol style="list-style-type: none"> 1. A separate action plan making this distinction will be brought back to the Committee and included within the audit recommendation follow-up reporting. Committee to review overall banking arrangements in one year's time. 2. Management report on early fraud indicators will be reported to members if there are any outstanding issues.
Agenda Management	There was a general agreement that the agenda packs for the Committee were rather lengthy. The Chairman suggested that cover reports be self-contained and asked the Chamberlain, Internal Audit and Town Clerk to consider more efficient ways of presenting information to Members.	All to note/action	On-going
Internal Audit Satisfaction Review	<ol style="list-style-type: none"> 1. The review had resulted in an action list, which will be reported to the Committee in January 2014. 2. The exercise to be repeated with a different set of Chief Officers. 	Paul Nagle/Suzanne Jones	<ol style="list-style-type: none"> 1. January 2014 2. Further interviews are planned for November and December 2013, to be reported in the January Update Report.
Internal Audit Peer Review	Self-assessment to be shared with Chairman and Deputy Chairman in January.	Paul Nagle	Outcome of the Peer Review to be reported to the Committee in May
Anti-fraud investigations	Show the value of each case and to ensure the outcomes of prosecutions received adequate publicity.	Chris Keesing	To be reflected in next investigation

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions

Item	Action	Officer responsible	Progress updates/target
			report in March 2014 .
Anti-fraud on line training course	<ol style="list-style-type: none"> 1. The Chamberlain to write to the relevant Chairmen and Chief Officers, on behalf of the Chairman of the Audit and Risk Management Committee, giving them until the next Committee meeting to comply. If performance was still poor at this time, the relevant Chief Officers would be instructed to attend that meeting on the 28 January 2014. 2. Officers looking at the paper version of the course to test the level of understanding. Course to be introduced for new starters, as part of the induction process and repeats would be scheduled at appropriate intervals. 	Paul Nagle	<ol style="list-style-type: none"> 1. Letter sent by Chamberlain to Chief Officers and Chairman. 2. Process has been discussed with HR, timescales now being agreed.

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Agenda Item 7

Committee(s):	Date(s):
Summit Group Audit and Risk Management Committee	9th December 2013 28 th January 2014
Subject: Strategic Risk 4: Planning Policy	Public
Report of: City Planning Officer	For information
<p>Summary</p> <p>This report explains the risk assessment for strategic risk SR4: Planning Policy. There is a need to maintain a suitable planning policy context for development in the City in order to achieve an appropriate mix of land uses, commercial buildings, public transport and other infrastructure to enable the City to continue to operate as an international financial and business centre.</p> <p>There is a risk that external planning policy factors from national, strategic and local sources could upset the beneficial planning policy context. The main mitigating control used to reduce this risk is to have a proactive and well informed Planning Policy Section that can liaise with other planning authorities and the development industry, especially during the early stages of policy formulation, quickly prepare and promote evidence which supports the City's business role, and maintain an updated, supportive local development plan. Such work is supported by officers from the Town Clerk's Dept, Remembrancer's Office, CPAT, EDO and by Member-level liaison as needed.</p> <p>Mitigating controls have reduced the risk likelihood from gross risk 3 (possible) to net risk 2 (unlikely). The resultant entry on the Risk Register for Strategic Risk 4 is a net risk of 2 (unlikely) for likelihood and 3 (moderate) for impact.</p> <p>The risk has not changed materially since last year due to effective mitigation measures including:-</p> <ul style="list-style-type: none"> • Government granted the City in May 2013 a local exemption from the national changes to the planning rules over change of use from commercial to housing. • Mayoral support received for the City's Local Plan and the City's Community Infrastructure Levy. • Inappropriately low size thresholds for the potential consideration of planning applications by the Planning Inspectorate were raised before the Growth & Infrastructure Act 2013 was finalised. 	

Recommendations

Members are recommended to note this report.

Main Report

Background

1. The City Corporation is the local planning authority for the Square Mile responsible for preparing the local development plan and deciding on planning applications. The City Corporation's plans and decisions take full account of the City's economic role as an international financial and business centre. However the City Corporation cannot plan in isolation as it must operate in general conformity with national planning policies set by the Government and with strategic policies in the London Plan set by the Mayor of London. It also needs to work in partnership with neighbouring boroughs and with bodies such as Transport for London regarding transport provision.

The Nature of the Risk

2. The City Corporation can play its part in ensuring a beneficial planning policy context for development in the City but also needs others to appreciate the wider national, strategic and local benefits of strong economic and employment growth in the City. There is a need for complementary national, strategic and local planning policies to enable the City to fulfil its growth potential. Therefore there is always the risk that the failure to provide and maintain a suitable national or strategic planning policy context could jeopardise the City's future growth.
3. The national planning policy context set by the Government can form a risk to the City if it does not take account of the City's needs. The City is a very unusual local authority area and therefore there is a risk that national planning and transport policies designed to suit typical local authorities might not suit the City's local circumstances. For example, the national emphasis currently being given to boosting housing delivery is not appropriate to the City where its strategic role as a sustainable employment centre accessible by excellent public transport is far more relevant.
4. The strategic planning context for London is provided by the Mayor of London in his London Plan. The City's local planning policies must be in general conformity with the Mayor's London Plan. The current London Plan takes full account of the strategic role of the City and the Mayor has supported the City's Local Plan and the City's draft Community Infrastructure Levy. However there is an on-going task to ensure that future London Plans and Mayors have a similar appreciation of the City's strategic role.

5. The economic cluster known as 'the City' now extends beyond the local authority boundary and therefore there is an economic and social need for the City Corporation to work in partnership with its neighbouring boroughs. Such collaboration spreads the benefits of the City to inner London and reduces the risk that adjoining local authorities will have conflicting planning policies that might jeopardise the future of 'the City' as an employment hub.

Mitigating Controls

6. Various mitigation controls can be used to reduce the likelihood and impact of a planning and transport policy context evolving that is unfavourable to the economic growth of the City. They can also lead to the strengthening of a favourable existing context.

Liaison during policy preparation

7. Officer and member-level liaison with policy makers, professional bodies, other planning authorities and the development industry is essential to understanding and influencing the evolving economic and planning policy context. Liaison during the early stages of policy formulation is an effective way of ensuring the City's strategic role is understood, appreciated and taken into account when planning and transport policies are being reviewed. Refinements can be made more easily during the early stages before public positions become crystallised. If proposals need further refinement then the City Corporation will take the opportunity provided by public consultation exercises, public inquiries and parliamentary committees to restate publicly the case for further change. Such work is supported by a range of officers from the Built Environment Dept, Town Clerk's Dept, Remembrancer's Office, City Surveyor's City Property Advisory Team, and the Economic Development Office as needed.

Preparation and promotion of supportive evidence

8. Planning and transport policies need to be based on sound evidence to ensure they would achieve sustainable outcomes. The City Corporation advances its case by preparing or commissioning a wide range of economic research which shows the national, strategic and local benefits resulting from the City's role as a leading international financial and business centre. The breadth of the City Corporation's background research means that it can provide relevant material at short notice to make a convincing case just when politicians need it. Such evidence helps make the case that the City is an unusual place which needs supportive policies at several levels of government.

Preparation of local development plan for the City

9. The City Corporation needs to convert the favourable planning and transport policy context provided by national and strategic government into a local development plan for implementation by the City Corporation as a local planning authority. The City Corporation adopted its Core Strategy in 2011 and has updated it in a Local Plan to be agreed by Court on 5th December 2013. The Local Plan recognises the City's primary business function, protects employment space where it is still needed, and provides a spatial framework for sustainable growth in the City up to 2026.

Further Action

10. The City Corporation will continue to liaise with politicians and other policy makers to ensure that the constantly evolving planning and transport policy context continues to take account of the City's strategic role as an international financial and business services centre.
11. A particular concern in recent times has been the Government's wish to simplify national planning guidance and procedures in order to boost economic growth through increased housing delivery. The proposed national relaxation of planning controls over change of use from commercial uses to housing was considered inappropriate to a strategic employment centre such as the City.
12. The City Corporation has argued against such a simplified national approach being applicable in the City. It has had some success in that the finalised National Planning Policy Framework (2011) allowed for local policy protection of employment space where there are strong economic reasons for it. It also worked closely with the Mayor to seek and gain in May 2013 a local exemption for the City and the rest of Central London from national policy relaxation measures intended to boost housing delivery at the expense of employment space. Preparatory work undertaken by officers, in the form of proactive liaison with relevant parties and the production of position papers and research evidence, enabled the City and the Mayor to present a strong case for a local exemption.
13. A further issue addressed during the year was the Government proposal to change the rules to allow a wider range of 'nationally significant' planning applications to be considered by the Planning Inspectorate and not the local authority. The size thresholds proposed would have affected many typical commercial redevelopments in the City leading to a potential loss of local control over such schemes. The City Corporation's response, facilitated by the Remembrancer, led to the indicative size thresholds applicable in London incorporating special allowance for the scale of commercial development in the City when the national changes were implemented as part of the Growth and Infrastructure Act 2013.
14. The policy context continues to evolve and the City Corporation will need to remain vigilant during a period of further change in national planning policy. Government proposals to relax controls over change of use from retail to housing would benefit from further refinement. In addition the forthcoming review of the London Plan is likely to focus on the balance of commercial and housing uses in central London in response to the rapidly growing population and resultant housing pressures.

Conclusion

15. There is a risk that external planning policy factors from national, strategic and local sources could upset the beneficial local planning policy context which enables the City to continue growing as a commercial centre. The main mitigating controls used to reduce this risk are proactive liaison with policy makers and relevant organisations especially during the early stages of policy formulation, the preparation and promotion of evidence which supports the City's

business role, and the maintenance of an updated, supportive local development plan. These measures collectively have reduced the net risk to likelihood 2 (unlikely) and impact 3 (moderate). Continued work is needed to monitor and influence the evolving policy context so that the City Corporation is able to encourage further sustainable economic growth in the City.

Appendices

- Strategic Risk Register – Risk 4 Planning Policy

Paul Beckett

Policy and Performance Director

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Appendix: Risk Supporting Statement SR4: Planning Policy

Risk Owner: City Planning Officer

Risk	City Corporation not seen to, or unable to, significantly influence general planning policy or transport plan decision makers in London, leading to lack of capacity of system to service the City.		Gross Risk	A
	Links to: Strategic Aim SA1 and Key Policy Priority KPP3		Likelihood	Impact
			3	3
Detail	This risk links closely with SR2, supporting the business city and SR8 reputation risk. A key objective of the City of London's planning function is to provide a planning strategy that is sympathetic to the needs/wishes of developers, balanced with the requirements of legislation, wider planning strategy for London and the interests of existing City businesses and residents. Maintaining an environment where large companies may develop office accommodation suitable to be used as global headquarters and lobbying to improve transport infrastructure is critical to the City maintaining its status as the leading financial and business centre. A number of different issues may lead to this risk being realised, and as part of the on-going review of this risk, these specific threats will be identified and assessed.			
Issues	Relaxation of national rules relating to change of use from offices, hotels or retail to residential and relating to temporary change of use without the need for specific planning permission. Listed building status - further designations could restrict the ability to redevelop key areas of the city.	Controls	<p>Early engagement with policy makers before formal consultation and as part of the consultation process. (Policy & Performance Director)</p> <p>Representation at London Councils' member and officer meetings. (Deputy Chairman Policy & Resources; Policy & Performance Director)</p> <p>Responding to new proposals from Ministers or the Mayor and seeking changes or local exemptions where needed. (Policy & Performance Director)</p> <p>Publication of research evidence to make the City's case that it is strategically important and locally distinctive. (Policy & Performance Director)</p> <p>Revision of City's development plan policies as needed to mitigate the local effects of national policy changes. (Policy & Performance Director)</p> <p>Development management practices which encourage early engagement with developers and other interested parties so that proposed new buildings are of high quality and sensitive to the City context. Engagement with English Heritage regarding possible listing proposals and the general approach to the listing of post-war buildings (Planning Services & Development Director)</p>	
Summary	The effect of any one of the above issues as an isolated occurrence is likely to be moderate, although the cumulative effect of multiple instances relating to one or more of the above would be more significant. The controls in place are robust and ongoing as the policy context is constantly evolving. Engagement with English Heritage is relevant regarding the possible listing of further post war buildings.		Net Risk	A
			Likelihood	Impact
			2	3
			Control Evaluation	
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Agenda Item 8

Committee(s):	Date(s):
Summit Group Audit and Risk Management Committee	9th December 2013 28 th January 2014
Subject: Strategic Risk 5: Flooding in the City	Public
Report of: Director of the Built Environment	For information

Summary

This report explains the risk assessment for strategic risk SR5: Flooding in the City. Parts of the City are at risk from river flooding and surface water flooding which would cause disruption to City activities. There could also be the potential for reputational damage for the City Corporation arising from poor preparation or inadequate response. Both sources of flooding would be low likelihood but higher impact events. There is a need to reduce the risk where practical and cost effective, and to improve resistance and resilience measures to reduce its impact.

The risk of River Thames flooding is mitigated by the Thames Barrier and river walls that currently protect against a 1 in 1,000 year flood surge. The risk of localised surface water flooding following intense rainstorms in London has a greater probability. However, major engineering solutions will not be cost-effective against surface water flood risks in the City. Therefore the mitigating actions will focus on the use of sustainable drainage systems to slow rainfall runoff to some extent and a range of physical and behavioural changes to increase resistance and resilience to its impact.

Mitigating controls have reduced the risk likelihood from gross risk 2 (unlikely) to net risk 1 (rare). The resultant entry on the Risk Register for Strategic Risk 5 is a net risk of 1 (rare) for likelihood and 3 (moderate) for impact.

The risk has not changed materially since last year due to effective mitigation measures including:-

- Environment Agency completed its Thames Estuary 2100 Plan that includes provision to raise the river walls by 2035
- City Corporation commissioned and submitted updated surface water flood risk maps for inclusion in Environment Agency maps
- Appointment of a Flood Resilience officer to investigate and promote flood resistance and resilience for existing buildings
- Preparation of a draft Local Flood Risk Management Strategy.

Recommendations

Members are recommended to note this report.

Main Report

Background

1. The City Corporation has a range of statutory duties with regard to flood risk in its roles as Planning Authority, Lead Local Flood Authority and as a Category 1 Responder under the Civil Contingencies Act. In accordance with the Flood and Water Management Act 2010 the City Corporation has prepared a Strategic Flood Risk Assessment 2012 to enable it to understand better the flood risks facing the City and to inform the Flood Risk Management Plans and the citywide Flood Risk Management Strategy which the City Corporation is required to prepare by 2015.

The Nature of the Risk

2. Flood risk in the City has two main sources: - river flooding and surface water flooding.

River Flooding

3. There is a relatively low risk of river flooding affecting part of the City which is south of Thames Street near the River Thames (see Appendix 1: River Zone Flood Map). The City's position on a hill above the River Thames provides it with greater natural protection from river flooding compared with some low-lying neighbouring boroughs. The relatively low risk from River Thames fluvial and tidal flooding is confined to the low-lying area south of Thames Street, the Temples and the adjacent streets south of Tudor Street.
4. River flooding would occur if there were an intense storm combined with a tidal surge up the Thames Estuary which could not be contained by the existing river defences including the Thames Barrier and river walls. Environment Agency modelling suggests this would be a rare event as existing flood defences give protection against a 1 in 1,000 year flood surge (0.1% annual probability). Although a relatively small part of the City would be flooded directly by such a surge there would be wider consequences as much of central London would be flooded as it is low-lying and the public transport network and other infrastructure could be badly affected.

Surface Water Flooding

5. Surface water flooding arises when there is an intense storm generating heavy or prolonged rainfall runoff that cannot be managed by existing drainage systems. This leads to local surface water runoff being unable to enter the drainage system or coming up from existing drains and manhole covers. London's combined sewer and surface water drainage system can make such flooding particularly unpleasant.

6. London's drainage system could not cope with a very intense rainstorm over central and north London with a return period of 1 in 100 to 1 in 200 years (1% to 0.5% annual probability). The sewer capacity would not be sufficient to convey City runoff, the upstream runoff from Camden and Islington to the north and the runoff from Hammersmith, Kensington and Westminster to the west. Surface water flooding could occur in some low lying places up to 2 metres in depth depending on the intensity of the rainstorm. It is also thought that some shallower surface water flooding could occur with a 1 in 30 year storm (3.3% annual probability).
7. The Fleet Valley (including Farringdon Street) and Paul's Walk near the River Thames are vulnerable to surface water flooding in such circumstances because they are low lying land where rainfall runoff water would gather. The Thames riverside areas would be vulnerable because surface water gathering there would become trapped behind the river defence walls (see Appendix 1: Surface Water Flooding Hotspots).
8. Parts of the electricity network in the Farringdon area could be vulnerable to surface water flooding. UK Power Networks is investigating how the network could be sustained in the event of localised flooding. It is seeking permission to build extra resilience into the network to protect against localised flooding events as part of its Business Plan submitted in accordance with the electricity price control review process.

Mitigating Controls

River Flooding

9. The main mitigation controls for river flooding are the Thames Barrier and river wall defences which give good protection against a 1 in 1,000 year flood surge (0.1% annual probability). However such flood surges will become stronger and more likely due to climate change and the Environment Agency has estimated in its Thames Estuary 2100 Plan that flood defences along the riverside may need to be raised by up to 1 metre during the period 2035-2069 in order to maintain existing levels of protection.
10. The potential impact of river flooding is being reduced by using planning policies in the City's Local Plan to ensure that riverside buildings have been designed with flood risk in mind and do not place vulnerable uses in the ground and basement levels which are at risk. Potential impact is also being reduced by proactive investigation and promotion of flood resistance and resilience measures by the Flood Resilience officer.

Surface Water Flooding

11. Surface water flood mitigation measures are normally a combination of engineering works to increase drainage system capacity, sustainable drainage systems such as 'green' roofs or walls to provide extra storage and slow down rainfall runoff, and policy measures to ensure that existing and new buildings are built and occupied with the flood risk resistance and resilience in mind.

12. The City Corporation updated its Strategic Flood Risk Assessment (SFRA) in 2012 to provide a better understanding of local flood risk and impact. Improved rainwater flows modelling in the updated SFRA led to a reduction in the extent of the City thought to be vulnerable to surface water flooding. However the City is a small part of a much wider rainfall catchment area and so solutions need to be applied strategically in other parts of the Fleet Valley and elsewhere. Hence City Corporation officers have been active members of the Central London (North) Flood Risk Partnership as part of a collaborative approach.
13. A feasibility study has examined the cost and benefits of significant engineering works in the City to increase drainage system storage and flow capacity. That study concluded that such works would not be cost-effective in the City but similar measures might be in other parts of the London.
14. Policy commitments in the City's Local Plan to encourage green roofs and other sustainable drainage measures in the City should slow storm water runoff slightly but such measures also need to be applied much more widely across London to have a significant effect. Camden forms part of the Fleet River catchment area and Camden is proposing such measures in its Flood Risk Management Strategy.
15. Some risk will remain and so planning policy and contingency planning measures are needed to reduce its impact. Planning policies require relevant planning applications to be accompanied by flood risk assessments, to demonstrate the site is suitable for the intended use and encourage flood-resistant building designs. Contingency planning initiatives will ensure that relevant occupiers are aware of the risk and the need for contingency plans to improve their resilience to flooding.

Further Action

16. River flood risk is currently minimised by the Thames Barrier and river walls but this situation will need to be monitored by the Environment Agency so that the projected effects of climate change are allowed for and the existing level of protection is maintained in the long term. The Environment Agency's Thames Estuary 2100 Plan will form the basis of this long term planning.
17. Surface water flood risk will remain despite measures to improve drainage capacity and reduce risk. Therefore the focus will in future be on resistance and resilience measures for those areas, buildings and occupiers that are at risk. Planning policies will ensure that buildings have been designed with flood risk in mind and they do not place vulnerable uses in the ground and basement levels which are at risk. Contingency planning initiatives will continue to ensure that relevant occupiers are aware of the risk and the need for contingency plans to improve resilience.
18. The Government is proposing to introduce a new Sustainable Drainage Systems approval process from April 2014, applicable to certain new developments, to ensure that they address surface water drainage issues at the design stage. The City Corporation will implement this national initiative for developments in the City

but detailed proposals have not yet been published by the Government and so the practical implications for the City are not yet clear.

19. In 2013 the City Corporation commissioned and submitted Flood Risk and Flood Hazard maps to the Environment Agency in accordance with its obligations under the Flood Risk Regulations 2009. It is using this information and that derived from the Strategic Flood Risk Assessment 2012 to produce Flood Risk Management Plans for vulnerable areas by 2015 accompanied by a citywide Local Flood Risk Management Strategy.

20. Initial work on the City's Local Flood Risk Management Strategy has generated the following draft objectives:

- To provide up to date information regarding the level of flood risk within the City taking account of emerging climate change impacts
- To reduce the vulnerability and cost to City businesses, residents and visitors of flood risk
- To respond effectively in the event of flooding providing emergency assistance to those in need
- To assist in recovery enabling the City residents and businesses to resume normal activities promptly
- To engage with other flood risk management authorities taking action to reduce flood risk through partnership working within and beyond the City's boundaries

21. It is expected that the City's draft Local Flood Risk Management Strategy will be considered by Members in Spring 2014, to be followed by public consultation and finalisation later in the year.

Conclusion

22. The City of London is at relatively low risk of river, groundwater and coastal flooding due to its location on a hill and the high standard of its river defences. Parts of the City are at greater risk from surface water flooding if the drainage system is overloaded by heavy or prolonged rainfall. The City Corporation is fully aware of the need to address these risks and has taken steps to understand them better, and to implement policies in collaboration with others in London to mitigate the risks and reduce their potential impact.

Appendices

- Appendix 1: Strategic Flood Risk Assessment 2012: River Flood Zone Map & Surface Water Flooding Hotspots Map
- Appendix 2: Extract from Draft Local Flood Risk Management Strategy 2013 in preparation
- Appendix 3: Strategic Risk Register – Risk SR5 Flooding in the City

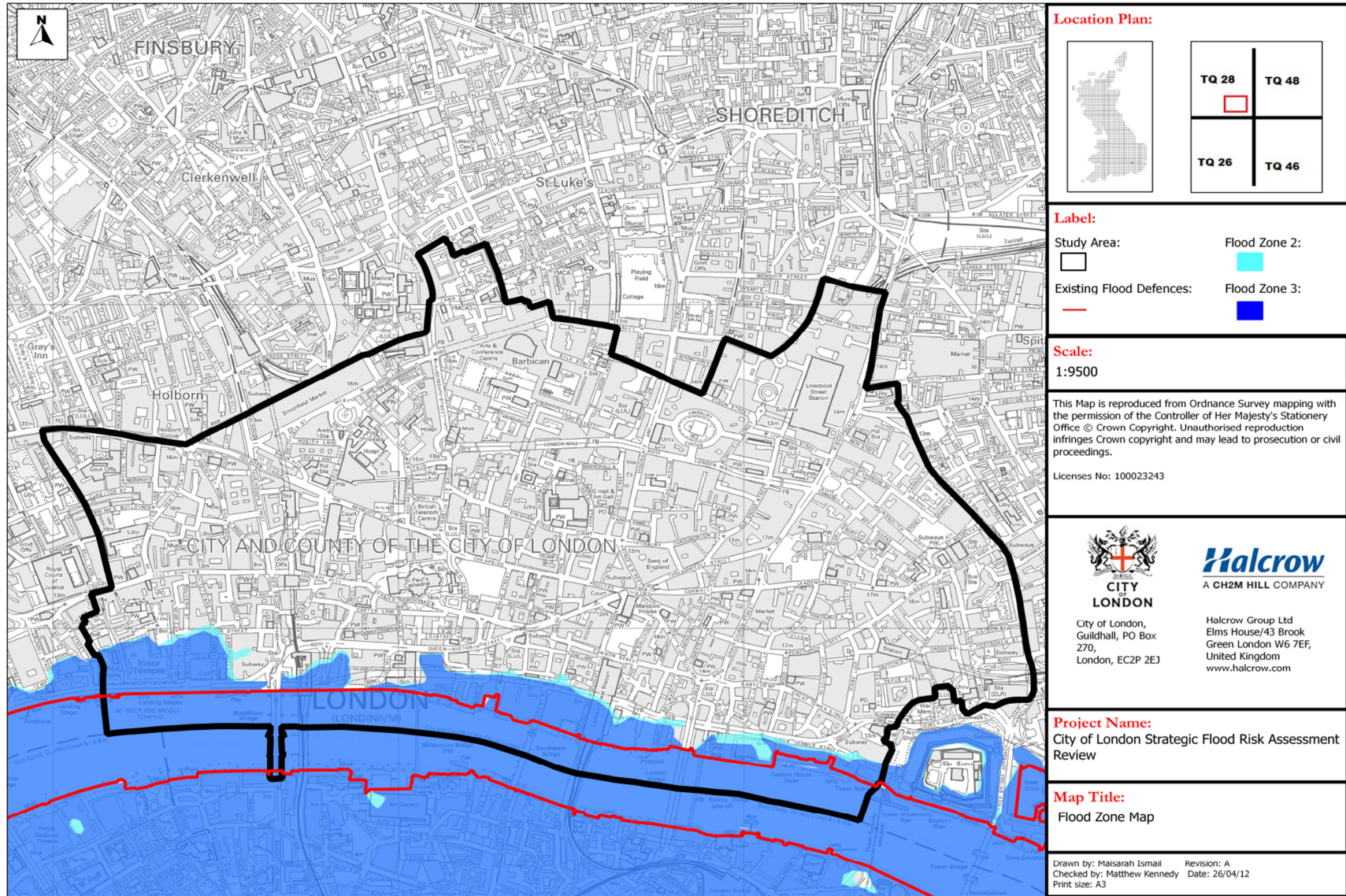
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Policy and Performance Director

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Appendix 1: Strategic Flood Risk Assessment 2012 River Flood Zone Map



Location Plan:

Label:

Study Area: Flood Zone 2:

Existing Flood Defences: Flood Zone 3:

Scale:
1:9500

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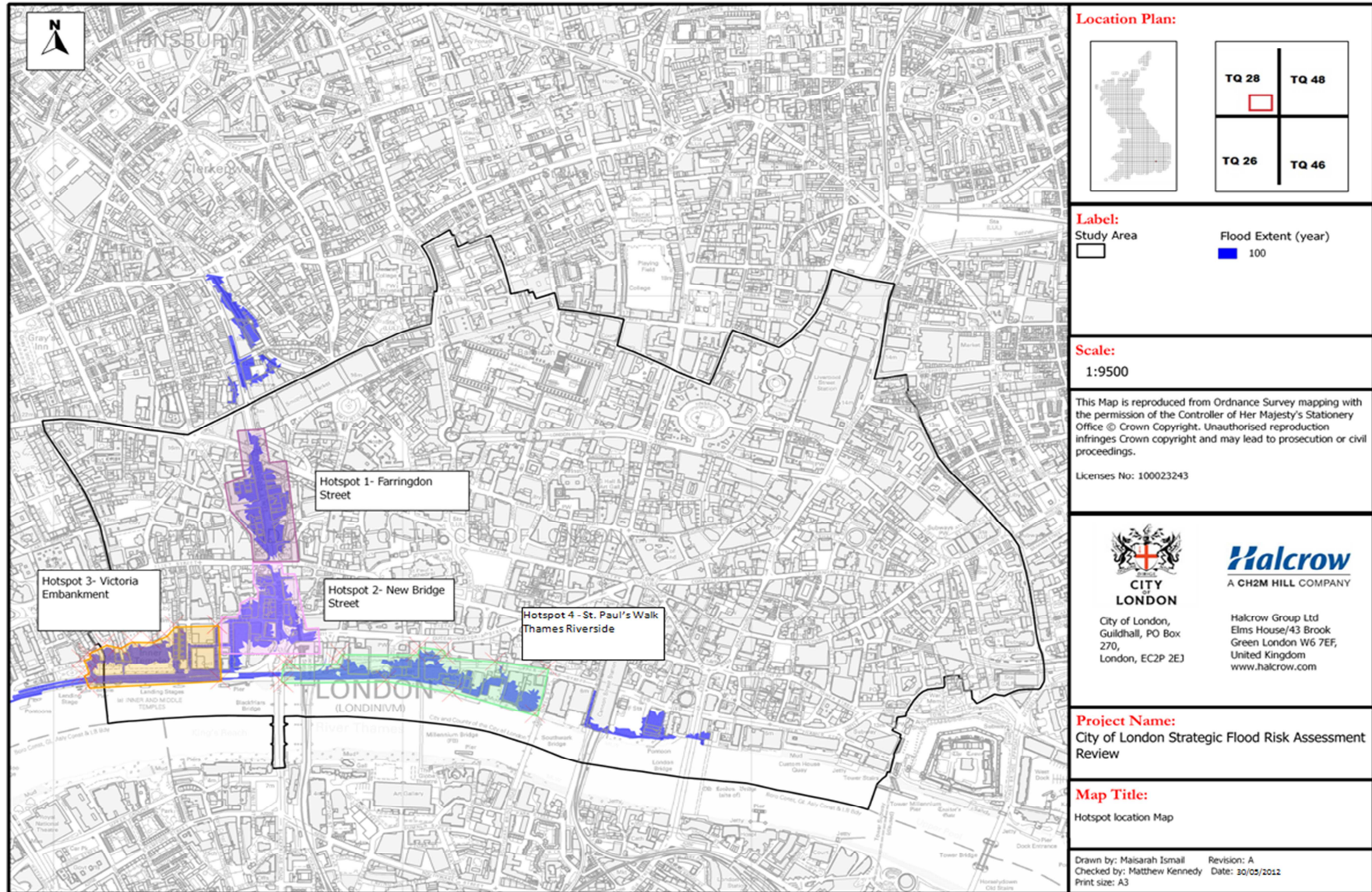
Halcrow Group Ltd
Elms House/43 Brook
Green London W6 7EF,
United Kingdom
www.halcrow.com

Project Name:
City of London Strategic Flood Risk Assessment Review

Map Title:
Flood Zone Map

Drawn by: Maisarah Ismail Revision: A
Checked by: Matthew Kennedy Date: 26/04/12
Print size: A3

Appendix 1: Strategic Flood Risk Assessment 2012 Surface Water Flooding Hotspots



City of London Corporation
Draft Local Flood Risk Management Strategy
2014 - 2020

Dec 2013



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- 1 Introduction
 - 2 Flood Risk Strategy requirements
 - 3 Assessment of local flood risks
 - 3.1 Flood risk modelling
 - 3.2 River and tidal flood risk
 - 3.3 Surface water and sewer flood risk
 - 3.4 Ground water flood risk
 - 3.5 Climate change and flood risk
 - 3.6 Strategic Flood Risk Assessment
 - 4 Objectives for Managing Flood Risk in the City
 - 4.1 Objective 1: Flood Risk Information
 - 4.2 Objective 2: Reduced vulnerability and cost of flooding
 - 4.2.1 Planning
 - 4.2.2 Flood resistance and resilience
 - 4.2.3 Flood Insurance
 - 4.2.4 SuDS approvals
 - 4.2.5 Asset register
 - 4.2.6 Flood investigation
 - 4.2.7 Warning and Informing
 - 4.3 Objective 3: Emergency response to flooding
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 - 4.5 Objective 5: Partnership working
 - 4.5.1 Drain London
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 - 4.5.3 Port of London Authority
 - 4.5.4 Neighbouring boroughs
 - 4.5.5 Utility and transport providers
 - 4.5.6 Technical bodies
 - 4.5.7 Emergency Services
 - 5 Actions to reduce flood risk in the City
 - 5.1 Measures to achieve objectives
 - 5.2 Site Specific Flood Risk Management Plans
 - 5.3 Funding & Resources to be completed
 - 5.4 Flood Risk Action Plan
 - 6 Strategy review
 - 6.1 Public Consultation
 - 6.2 Approval process
 - 6.3 Governance and monitoring
 - 6.4 Review
 - 7 Wider sustainability objectives
 - 7.1 Strategic Environmental Assessment
- Appendix 1 Legislative context
- Appendix 2 Flood Risk Powers and Responsibilities
- Glossary
- References

Section 1: Introduction

The City is at relatively low risk of flooding with specific areas at risk from river flooding and surface water/ sewer flooding (Fig 1). However the consequences of flooding in these restricted parts of the City could be very high in terms of loss of business and reputational damage and inconvenience to occupants.

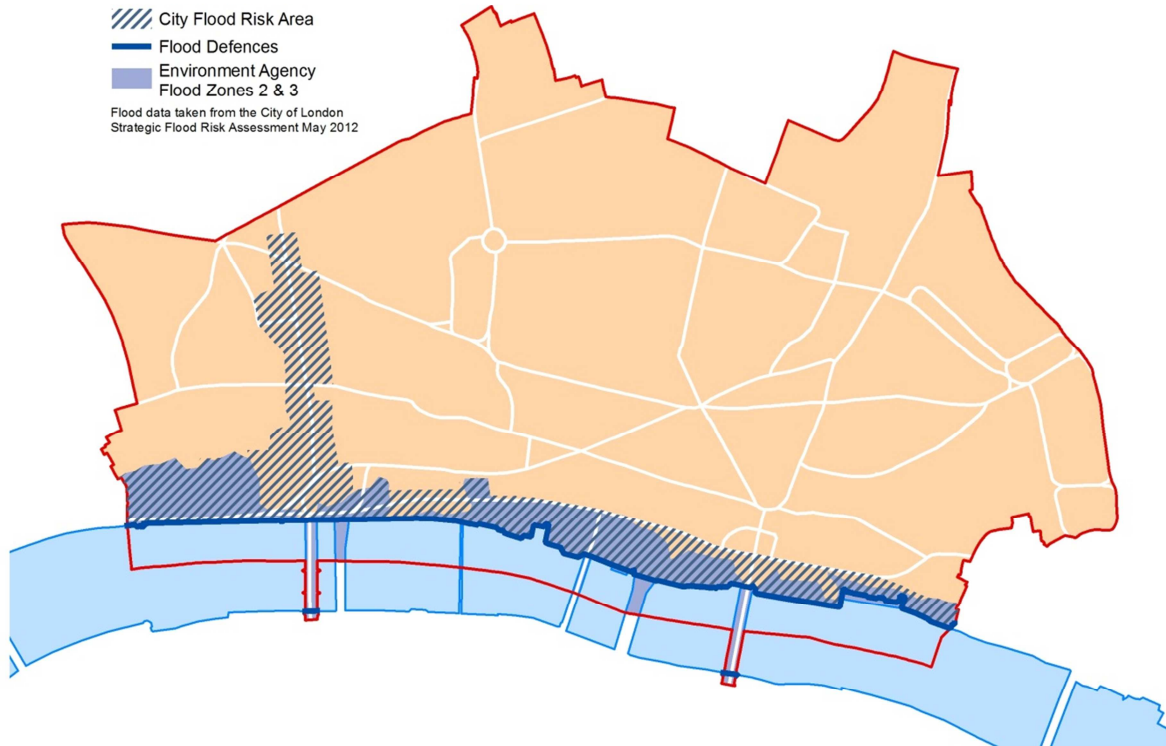


Figure 1: Flood Risk in the City of London

The City's flood risks must be considered strategically since flood risks are associated with river catchments which extend well beyond the City's boundaries. Changing weather patterns as a result of climate change will also influence the City's future probability of flooding with more intense rainfall events creating conditions where flash flooding and overloading of the sewer network could become more frequent. Sea level rise will increase the risk of flooding from the tidal Thames in future decades. As a consequence past experience of flooding is not necessarily an accurate predictor of future flood risk.

The City is protected from River flooding by the Thames Barrier and by local flood defences along the riverside. The Thames Estuary 2011 Plan (TE2100 plan) identifies the wider actions which are needed to protect London from future flooding some of which will need to be implemented within the City. Surface water/ sewer flooding is a risk along Farringdon Street and the Thames riverside as a result of rainwater catchments as far afield as Hammersmith to the west and Hampstead to the north of the City. It is impossible to completely eliminate the possibility of flooding occurring therefore an important element of flood preparedness is the implementation of measures to provide resistance, preventing flood waters entering properties and flood resilience enabling rapid recovery in the event of flooding. Emergency planning provides the assurance that in the event of flooding procedures are in place to respond effectively.

This strategy identifies the approach the City Corporation is taking to the flood risks that affect the City, the actions that are underway or planned to reduce these risks and the processes by which this strategy will be kept up to date.

The Flood and Water Management Act 2010 assigns various responsibilities to Lead Local Flood Authorities including the requirement to develop, maintain apply and monitor a strategy for local flood risk management in its area. The City Corporation, as unitary authority for the Square Mile is the Lead Local Flood Authority for the City.

This strategy covers flood risk affecting the City's geographic area; it does not include flood risks on City owned or managed land beyond the City's boundaries.

Section 2: Flood Risk Strategy requirements

The Flood and Water Management Act 2010 specifies LLFA's duties with regard to Flood Risk Strategies and outlines the elements that must be included in a Flood Risk Strategy. Table 1 shows these requirements and where each one is covered in the City of London Local Flood Risk Management Strategy.

Table 1: Flood Risk Strategy Requirements

The Flood and Water Management Act 2010 section 9 (4) requires that the strategy must specify:	Where it is covered in this strategy
(a) the risk management authorities in the authority's area,	Appendix 2
(b) the flood and coastal erosion risk management functions that may be exercised by those authorities in relation to the area,	Appendix 2
(c) the objectives for managing local flood risk (including any objectives included in the authority's flood risk management plan prepared in accordance with the Flood Risk Regulations 2009),	Chapter 4
(d) the measures proposed to achieve those objectives,	Chapter 4 and Chapter 5
(e) how and when the measures are expected to be implemented,	Chapter 5
(f) the costs and benefits of those measures, and how they are to be paid for,	Chapter 5
(g) the assessment of local flood risk for the purpose of the strategy,	Chapter 3
(h) how and when the strategy is to be reviewed, and	Chapter 6
(i) how the strategy contributes to the achievement of wider environmental objectives.	Chapter 7

Risk	City Corporation fails to adequately address the impact of a major flood in part of the City in relation to businesses, roads, transportation, etc.		Gross Risk	A
	Links to: Strategic Aim SA2 and Key Policy Priority KPP3		Likelihood	Impact
			2	4
Detail	There are three elements to this risk; river flooding, surface water flooding and an inadequate response to flooding. While river flooding is unlikely, a significant area south of Thames Street would be affected by it, compounded by the fact that flood water would remain trapped behind the river defences. Surface water/sewer flooding is a more likely scenario, with London's drainage system lacking the capacity to accommodate prolonged intense rainfall. Responsibility for the sewer network lies with Thames Water not the City, although the City has overall responsibility for co-ordination of flood risk as a Lead Local Flood Authority. Strategic Flood Risk Assessment Review 2012 has confirmed that surface water flooding would be restricted to relatively few, small areas in the Fleet Valley and the Thames Riverside, with most of the City not directly affected.			
Page 31	Issues	Controls		
	River Flooding rare (1) impact major (4)	Main defence provided by Environment Agency through Thames Barrier and river wall defences, proven reliability over the past 30 years. Latest research shows that the Barrier will remain effective until at least 2035 and could be adapted to last much longer. (Environment Agency and riparian owners)		
	Surface water flooding rare (1) impact moderate (3)	Partnership working with pan-London bodies, surrounding boroughs, Thames Water and Environment Agency to reduce the risk and resist its effects. Planning controls constrain building design and uses in higher risk areas. Further modelling work has been undertaken to define vulnerable areas and investigate mitigation, resistance and resilience measures in those areas. Impact is localised to specific parts of the City. (Policy & Performance Director)		
	Inadequate response to flooding unlikely (2) impact moderate (3)	Contingency plan in place. City Corporation has responsibilities under the Civil Contingencies Act. Further work planned as part of the City's Flood Risk Strategy. (Head of Resilience & Community Safety)		
Summary			Net Risk	G
While it is not possible for the City alone to reduce significantly the risk of flooding, it is possible to minimise the impact of such incidents through planning policy to avoid critical or vulnerable uses in higher risk areas, to increase runoff storage capacity through sustainable drainage measures, and through robust contingency planning. The City has responsibilities under the Flood Risk Regulations 2009 and Flood and Water Management Act 2010, culminating in a flood risk management plan for areas which are at significant risk of flooding, to be in place by June 2015.			Likelihood	Impact
			1	3
			Control Evaluation	
			A	

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Agenda Item 9

Committee(s):	Date(s):
Audit and Risk Management Committee	28 th January 2014
Subject: Risk Management Update	Public
Report of: Chamberlain	For information
Summary <p>This report presents the Audit and Risk Management Committee with an update on the Strategic Risk Register and the progress to date on the Risk Management Improvement plan, which now incorporates the recommendations from the independent review.</p> <p>The Risk Management Improvement Plan highlights the activities undertaken to refresh and revise the Risk Management Handbook, which will be renamed as the Risk Management Strategy. The Risk Management Improvement plan also provides updates on the implementation of risk register software which will incorporate the revised processes for capturing and reporting risks. Key changes noted within the Improvement plan include the revised method for describing risks, the new risk matrices and the revised structure for escalating risks. The Risk Management Strategy will incorporate these revisions and a draft version will be reported to the March Audit and Risk Management Committee for comment, following which it is intended to present the new Risk Management Strategy to Committee in May for final approval.</p> <p>As part of the improvement plan, a workshop was held to refresh the Strategic Risk Register with the Chief Officers Group on the 4th December 2013. Outcomes of this session are being reviewed by the Chief Officer Summit Group on the 22nd January following which the revised Strategic Risk Register will be reported to the Audit and Risk Management Committee in March for approval.</p> <p>In accordance with the rolling review of risk, two strategic risks are considered in detail at this Committee. These are SR4: Planning Policy and SR5: Flooding in the City.</p> Recommendations Members are asked to: <ul style="list-style-type: none">• note the updates to the Strategic Risk Register (Para 3)• note the progress on the Risk Management Improvement Plan (Para 6);• note the plans to consult the Committee on the new Risk Management Strategy at the March Committee and seek formal approval of the new Strategy at the May meeting (Para 7).	

Main Report

Background

1. The strategic risk register was last reviewed by the Audit and Risk Management Committee on 17th September 2013, by the Strategic Risk Management Group on 11th November 2013 and by the Chief Officer Summit Group on 9th December 2013.
2. Each risk has been reviewed and updated by the responsible risk owner, in accordance with the established risk management framework. The latest strategic risk register contains 13 Strategic risks and is appended to this report for review (Appendix 1).

Current Position

3. Updates to the Strategic risks, since last reported, are summarised below:
 - 3.1. SR3 (Financial Stability): The financial settlement for 2015/16 is worse than originally anticipated and we estimate the impact will make a further dent of £2.7m p.a in our 2015/16 forecast, increasing the deficit forecast for that year to £5.6m. We have currently identified some efficiency savings to meet this gap, but this leaves a potential gap of between £1.1m-£3.6m for a balanced budget on the City Fund in 2015/16. However, as this deficit is covered by reserves, the Net risk assessment remains at Amber. When savings have been identified and have been removed from budgets in the Autumn of 2014, the risk will drop to Green.
 - 3.2. SR8 (Reputation): Reputational risk on Safeguarding is now being monitored in Public Relations. The risk remains at Amber.
 - 3.3. SR9 (Health and Safety): A new health and safety management system for buildings is being trialled within City Surveyors to help identify where health and safety risk exists within City of London property assets. The annual certificates of assurance are due on 31st January and the Corporate Safety Team will be carrying out their own audits on departments following the submission. As a result the Control Evaluation and the Risk remains Amber.
 - 3.4. SR14 (Longer term Financial Uncertainty): The position for non-protected services from 2016/17 looks to be difficult, with potentially £13m p.a. savings to be found in City Fund- which will need to be addressed through savings from the service based reviews. This risk will remain red until savings options have been identified.
4. To illustrate the current risk profile, the strategic risks have been plotted on the City's risk matrix, in accordance with the net scores from the impact and likelihood assessments (Appendix 1).
5. The risk management framework continues to help in identifying strategic risks, in accordance with the definition established in the Risk Management Handbook:

Strategic risks are those that are identified as having an impact on the achievement of the City Corporation's Strategic Aims or Key Policy Priorities.

One or more of the following four criteria must apply:

- The risk relates directly to one or more of the Strategic Aims or Key Policy Priorities.
- A departmental risk that has significant impact on multiple operations if realised.
- The risk has been identified as present for a number of departments.
- There are concerns over the adequacy of departmental arrangements for managing a specific risk.

Risk Management Improvement Plan

6. The Risk Management Improvement plan has been updated to incorporate the recommendations from the Independent Review (Appendix 2). Actions with the improvement plan are grouped within the following themes:

- Review of risk management governance structures: to reduce overlaps of responsibilities and ensure a transparent escalation process;
- Creating a dynamic risk reporting framework: Ensuring high priority risks get maximum exposure;
- Improving the content of the risk registers: to provide consistent, clear and relevant information;
- Introduce a risk management software: to provide a quick and efficient method to recording and reporting risks
- Formalise revised framework and processes: to establish and formalise the revised risk management approach;
- Improve staff skill set and build awareness of risk management;
- Review new framework: to determine how risk mature the organisation; and
- Additional Independent review recommendations: which capture the remaining recommendations from the Independent Review.

7. Key updates have been noted below.

7.1. Risk Management Strategy

7.1.1 The Risk Management Handbook will be renamed as the Risk Management Strategy, falling in line with the terminology used more commonly in many other organisations as well as the Cabinet Office's Management of Risk principles. This also complies with the terminology used within the Terms of Reference for the Audit and Risk Management Committee.

- 7.1.2 The Risk Management Strategy takes in to account the recommendations from the Independent Review and contains revised processes and reporting lines, including the responsibilities of the Strategic Risk Management Group which will now be subsumed within the Chief Officers Summit Group. There will continue to be an officer level risk management group which will now focus on the operational areas of embedding risk management.
- 7.1.3 Other key changes within the Risk Management Strategy include the revised format for describing risks, in the form of Cause, Risk and Effect, and the new 4x4 matrices for scoring and prioritising risks.
- 7.1.4 A draft version of the Risk Management Strategy will be provided to the Audit and Risk management Committee in March for comment. The final version will be presented to the Committee in May for final approval.

7.2. Strategic Risk Review

- 7.2.1 A workshop to refresh the Strategic Risk Register took place on 4th December 2013 with the Chief Officers Group.
- 7.2.2 The workshop entailed Chief Officers to discuss and identify key risks which may affect the achievement of the Corporation's Strategic Aims.
- 7.2.3 Outcomes of this session are under review and scheduled to be reported to the Audit and Risk Management Committee in March, at which point a list of recommendations for the Strategic Risk Register will need approval.

Cyclical Review of Strategic Risks

8. A structured approach to reviewing the City's strategic risks has been adopted, in order to promote full coverage and review. The schedule of reviews for the Audit and Risk Management Committee is shown below:

Forthcoming reviews		Date	Committee Responsible
SR4	Planning Policy	28 th Jan 2014	Planning & Transportation
SR5	Flooding in the City	28 th Jan 2014	Port Health
SR17	Safeguarding	4 th Mar 2014	Community & Children's Services
SR11	Pond Embankment Failure	4 th Mar 2014	Hampstead Heath
SR16	Data Protection Risk	13 th May 2014	Establishment
Previous reviews:		Date	Committee Chairman
SR3	Financial Stability	11 th Dec 2013	Finance
SR14	Longer term Financial Viability	11 th Dec 2013	Finance
SR8	Reputation Risk	15 th Oct 2013	Policy & Resources
SR10	Adverse Political Developments	15 th Oct 2013	Policy & Resources
SR1	Response to a Terrorist Attack	17 th Sep 2013	Policy & Resources
SR13	Public Order and Protest	17 th Sep 2013	Policy & Resources
SR9	Health and Safety Risk	25 th Jun 2013	Establishment
SR11	Pond Embankment Failure	25 th Jun 2013	Hampstead Heath
SR16	Data Protection Risk	25 th Jun 2013	Policy & Resources
SR2	Supporting the Business City	5 th Mar 2013	Policy & Resources
SR6	Project Risk	5 th Mar 2013	Project Sub-Committee

Conclusion

9. The Strategic Risk Register continues to be reviewed actively and updated by risk owners, in line with the requirements stipulated by the Risk Management Handbook. Work is continuing to enhance further the effectiveness of managing and reporting risks throughout the organisation.

Appendices

- Appendix 1 – Strategic Risk Register
- Appendix 2 - Risk Management Improvement Plan

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Risk management – Improvement Plan 2013/15

IRR = Independent Review Recommendations (Full list on page 10)

Objectives	Tasks	Approving body	Status / Comments
1. Review risk management governance structures	1.1 Review of risk reporting groups (Separation of strategic decision makers from operational decision makers) <i>(IRR: 31 and 32)</i>	Summit Group	<p>Status: Approved</p> <p>Comment: Chief Officer Summit Group will take over the responsibility of the Strategic Risk Management Core Group, focussing on Corporate risk items for the Corporation, such as deep dive reviews, and High Level risks escalated from Departments.</p> <p>The Strategic Risk Management Wider Group will be renamed as the Risk Management Group and will focus on Operational risk items for the corporation, such as training, departmental risk reviews, promulgation of best practice.</p>
	1.2 Create a clearly defined route of escalation	Summit Group	<p>Status: Awaiting approval</p> <p>Comment: Draft timetable to be reported at the January Summit Group meeting.</p> <p>Committee risk reports will be reviewed by the Summit Group prior to the audit and Risk Management Committee Submission.</p> <p>Risks will be escalated based on priority, determined by the risk score. This is illustrated within the draft risk strategy.</p>
	1.3 Align reporting requirements subject	Summit Group	<p>Status: Awaiting approval</p> <p>Comment: To be reported at the</p>

Risk management – Improvement Plan 2013/15

Objectives	Tasks	Approving body	Status / Comments
	<p style="text-align: center;">to department / section resources</p> <p style="text-align: center;"><i>(IRR: 7 and 22)</i></p>		<p>January's Summit group, as per point 1.2. Departmental risk updates will be requested each quarter and specific risks will be escalated based on priority and/or departmental recommendation.</p>
<p>2. Create a dynamic risk reporting framework</p>	<p>2.1 Improve risk scoring guidance</p> <p style="text-align: center;"><i>(IRR: 5)</i></p>	<p style="text-align: center;">Summit Group</p>	<p>Status: Being reviewed and scheduled for the March Summit Group Meeting Following approval, this will be reported to the Audit and Risk Management Committee in May.</p> <p>Comment: Risk Scoring guidance has been reviewed in collaboration with the City of London Police's Force risk Manager. Draft document outlining criteria currently being finalised for Summit Group submission.</p>
	<p>2.2 Create a logical and mathematical risk matrix</p> <p style="text-align: center;"><i>(future proofing for risk systems and any mathematical modelling)</i></p> <p style="text-align: center;"><i>(IRR: 10 and 21)</i></p>	<p style="text-align: center;">Summit Group</p>	<p>Status: Approved</p> <p>Comment: A 4x4 matrix has been agreed and will be introduced alongside the risk management information system post April 2014.</p>
	<p>2.3 Use the scoring mechanism to decide escalation criteria for team, divisional, departmental and</p>	<p style="text-align: center;">Summit Group</p>	<p>Status: Awaiting approval</p> <p>Comment: To be reported at the January Summit Group. The risk register software will assist in avoiding overlaps between Departmental risks</p>

Risk management – Improvement Plan 2013/15

Objectives	Tasks	Approving body	Status / Comments
	<p>corporate risks.</p> <p><i>(IRR: 6, 25 and 29)</i></p>		<p>and Corporate risks.</p> <p>Scoring criteria and escalation of risks has been illustrated within the draft risk management strategy</p>
	<p>2.4 Determine the organisations risk appetite</p> <p><i>(IRR: 8, 19 and 20)</i></p>	Summit Group	<p>Status: To be considered following adoption of the revised Risk Management Handbook (now Risk Management Strategy), scheduled for August 2014</p> <p>Comment: Independent review recommendation to be considered by the Chief Officers as to practical definition of risk appetite parameters in some areas.</p>
3 Improve the content of the risk registers	<p>3.1 Develop categorisation list for risks</p> <p><i>(IRR: 9)</i></p>	Risk management Group	<p>Status: Complete, waiting to be deployed</p> <p>Comment: Risk categorisation list created and will be introduced within the risk register software</p>
	<p>3.2 Introduce control owner</p>	Audit and Risk Management committee	<p>Status: Approved</p> <p>Comment: Risk Supporting statements for Strategic Risks now contain control owners. To be consistently deployed across all risk registers with roll-out of new risk management software from April 2014.</p>
	<p>3.3 Articulate risks in a consistent form</p>	Summit Group	Status: Approved

Risk management – Improvement Plan 2013/15

Objectives	Tasks	Approving body	Status / Comments
	(Cause, Risk, Effect)		<p>Comment: Summit Group approved the revised structure to articulate risks. This has been noted within the draft risk management strategy and will be introduced with the launch of the new risk management software</p>
	3.4 Change focus from Gross risk scores to Target risk scores	Audit and Risk Management Committee	<p>Status: Scheduled for review in March 2014 following selection of the new risk management software.</p> <p>Comment: Discussion to change focus from Gross risk score to Target Risk score has taken place with the risk management group. Further review will take place following implementation of the risk register software.</p>
	3.5 Redesign risk register (IRR:16)	Audit and Risk Management committee	<p>Status: Scheduled for review in May 2014 following launch of the new risk management software.</p> <p>Comment: New system will provide an easier method to create and report risks.</p>
4 Introduce a risk management software	4.1 Identify and review risk systems (IRR: 28)	Risk and Assurance Manager	<p>Status: Complete</p> <p>Comment: Selection of risk systems identified, working closely with our IS department.</p>
	4.2 Demo risk systems	Risk management Group	<p>Status: Being scheduled for end of January 2014.</p> <p>Comment: Demo's will be provided to</p>

Risk management – Improvement Plan 2013/15

Objectives	Tasks	Approving body	Status / Comments
			the Risk management group who will help decide on the best product to use.
	4.3 Phased introduction	Risk management Group	Status: Awaiting software selection. Comment: Plan is for a phased introduction over 3 months to begin in April 2014.
5 Formalise revised framework and processes	5.1 Develop the risk management policy.	Audit and Risk Management Committee	Status: Draft to be reviewed by the Summit Group in January, prior to Audit and Risk Management Committee submission in March. Comment: Included within the draft risk management strategy
	5.2 Develop the risk management Strategy. <i>(IRR: 2, and 3)</i>	Audit and Risk Management Committee	Status: Draft document to be reviewed by the Audit and Risk Management committee in March. Final version to be agreed in May. Comment: Draft document scheduled for the January Summit Group meeting for review.
6 Improve staff skill set and build awareness of risk management	6.1 Revise intranet and internet with relevant risk management information	Risk Management Group	Status: Full review in June 2014 following implementation of new framework and processes (point 5).
	6.2 Create a suite of training tools for staff to access <i>(IRR: 1, 17, 23 and 24)</i>	Risk management Group	Status: Scheduled to complete by September 2014. Comment: Range of training tools to include a risk management toolkit, e-learning module, a small risk guide

Risk management – Improvement Plan 2013/15

Objectives	Tasks	Approving body	Status / Comments
	<p>6.3 Develop communication plan to outline activities to raise awareness</p> <p>(IRR: 35)</p>	<p>Risk management Group</p>	<p>Status: Scheduled for completion in Jun 2014.</p> <p>Comment: The communication plan will include workshops to review/refresh the departmental risk registers and a forward programme of training sessions for risk management, such as training on the new risk management software. The plan will also contain a forward programme of Risk Talks, Newsletters, Briefings, posters and more.</p>
<p>7 Review new framework</p>	<p>7.1 Undertake a Maturity Assessment</p> <p>(IRR: 4 and 30)</p>	<p>Audit and Risk Management Committee</p>	<p>Status: Scheduled to begin by September 2014.</p> <p>Comment: assessment to be undertaken to review our position and compare against the Independent review findings of October 2013.</p>
<p>8 Additional Independent Review Recommendations</p>	<p>8.1 Senior managers should ensure that innovative and considered risk taking is fostered within key projects.</p> <p>(IRR: 18)</p>	<p>Summit Group</p>	<p>Status: Recommendation to be reviewed further with Corporate Project Management team.</p>
	<p>8.2 Audit & Risk Management Committee could be briefed on top</p>	<p>Summit Group</p>	<p>Status: Practical implementation of recommendation to be considered following implementation and roll-out of the Risk Register Software.</p>

Risk management – Improvement Plan 2013/15

Objectives	Tasks	Approving body	Status / Comments
	<p>departmental risks alongside the Strategic Risk Register at periodic intervals.</p> <p><i>(IRR: 26)</i></p>		
	<p>8.3 Undertake more consistent and robust approach to horizon scanning.</p> <p><i>(IRR: 27)</i></p>	Summit Group	Status: To be considered following adoption of new risk management strategy in May 2014.
	<p>8.4 Vital that all changes to service delivery are considered in the context of risk appetite.</p> <p><i>(IRR: 33)</i></p>	Summit Group	Status: Practical implementation of recommendation to be considered following adoption of new risk management strategy in May 2014.
	<p>8.5 Exercise could be undertaken to identify those risks with the potential for reputational impact.</p> <p><i>(IRR: 34)</i></p>	Summit Group	Status: Practical implementation of recommendation to be considered following adoption of new risk management strategy in May 2014.
	<p>8.6 Refresh Strategic risk register</p> <p><i>(IRR: 11, 12, 13, 14, 15 and 35)</i></p>	Audit and Risk Management Committee	<p>Status: Recommendations for the Strategic risk register to be reported at the March Audit and Risk Management Committee</p> <p>Comment: Outcomes of the Risk</p>

Risk management – Improvement Plan 2013/15

Objectives	Tasks	Approving body	Status / Comments
			Workshop under review and will be reported to the Summit Group in January prior to reporting to the Audit and Risk Management Committee.
	8.7 Undertake refresh of departmental risk registers. <i>(IRR: 35)</i>	Audit and Risk Management Committee and Summit Group	Status: Departmental risks will be reviewed post implementation of risk register software.
	8.8 Key policies and strategies should contain risk management consideration. <i>(IRR: 36)</i>	Summit Group	Status: Practical implementation of recommendation to be considered following adoption of new risk management strategy in May 2014.
	8.9 Include risk management as a standing agenda items on relevant committee and management meetings. <i>(IRR: 37)</i>	Summit Group	Status: Practical implementation of recommendation to be considered following adoption of new risk management strategy in May 2014.
	8.10 Consider making risk management part of overall performance and competency reviews. <i>(IRR: 38)</i>	Summit Group	Status: Practical implementation of recommendation to be considered following adoption of new risk management strategy in May 2014.
	8.11 Undertake	Summit Group	Status: Practical implementation of

Risk management – Improvement Plan 2013/15

Objectives	Tasks	Approving body	Status / Comments
	<p style="text-align: center;">assurance mapping exercise to review controls.</p> <p><i>(IRR: 39)</i></p>		<p>recommendation to be considered following adoption of new risk management strategy in May 2014.</p> <p>Comment: Pilot Assurance Mapping exercise underway with City of London Police, further roll-out planned for main departments in 2014/15.</p>
	<p>8.12 Undertake a review of partnership and supply chain risks.</p> <p><i>(IRR: 40)</i></p>	Summit Group	<p>Status: Practical implementation of recommendation to be considered following adoption of new risk management strategy in May 2014.</p>

Independent Review Recommendations

IP = Improvement Plan

Areas	Recommendations	IP
Risk Management Handbook	1 Introduce aide-memoire or fact sheet for practitioners to complement Handbook.	6.2
	2 Add further detail to responsibilities e.g. how the Court of Common Council assumes “overall accountability for risk management.”	5.2
	3 Further define terms e.g. business, strategic and operational risk.	5.2
	4 Clarify risk maturity model including assessment techniques/measurement criteria.	7.1
	5 Review risk scoring matrix impact indicators to ensure that there are no gaps / overlaps	2.1
	6 Identify more two-way processes to encourage open risk communication and identification of departmental issues.	2.3
Risk Improvement Plan	7 Identifies need to “set different reporting guidelines for departments taking into account their current arrangements and resources available” - clarify how this aligns with desire for consistency of approach across departments.	1.3
	8 Identifies need to “determine the risk appetite” - need to set some achievable parameters.	2.4
	9 Refers to putting risks into groups of strategic, operational and corporate risks – distinction between the groups needs to be clarified to avoid overlap.	3.1
	10 Refers to a desire to promote and report opportunity risks - definite appetite for opportunity risk management but other processes need to be embedded as a priority.	2.2
Strategic Risk Register	11 SR 1 Failure to respond to a terrorist attack, SR5 Flooding in the city and SR13 Public Order and Protest focus on ability to respond to a major incident and the controls involve having a robust Business Continuity Plan and Emergency Plan. Consider bringing these risks together into a single risk ‘Ability to respond effectively to a major incident or catastrophe’.	8.6
	12 SR 16 Breach of Data Protection Act. Consider revisiting	8.6

Independent Review Recommendations

	the causes and consequences to include human behaviour, social media and cyber risk etc. and in doing so widen heading to 'Managing Information Governance'	
	13 Supply Chain Failure. Increasingly complex procurement and supply chain arrangements.	8.6
	14 Safeguarding. May be relevant in terms of delivery of statutory social care services.	8.6
	15 Business Transformation / Workforce Planning. Resource constraints leading to changes in internal structures and the way that services are delivered.	8.6
	16 SR 8 Negative publicity and damage to the City Corporation's reputation – consider adding further detail around causes or the consequences.	3.3 and 3.5
Departmental Risk Registers	17 Need to ensure all departments understand and embed processes, including the gross and net risk scoring system and gain assurance around the effectiveness of controls and the robustness of identified planned actions.	6.2
Risk Matrix and Risk Appetite	18 Senior managers should ensure that innovative and considered risk taking is fostered within key projects.	8.1
	19 Element of risk appetite identification could be tested, against selected corporate priorities and/or risks. Partial/pilot risk appetite exercise could be developed to facilitate this.	2.4
	20 More comprehensive risk appetite exercise could be undertaken later with perception surveys and/or a facilitated exercise.	2.4
	21 Review of the risk matrix and scoring criteria would be beneficial e.g. 4x4 matrix to ensure all practitioners find it easy to apply.	2.1
Consistency of Approach	22 Undertake formal debate around consistency of approach across departments. Would allow for parameters and exceptions to be identified.	1.3
	23 Develop risk management competency assessment and training programme. Consider further risk identification ("blank paper") exercises.	6.2
	24 Develop simplified risk guide to complement the	6.2

Independent Review Recommendations

	Handbook.	
Reporting and Escalation	25 Defined escalation criteria and process should be simple, clear and understood.	2.3
	26 Audit & Risk Management Committee could be briefed on top departmental risks alongside the Strategic Risk Register at periodic intervals.	8.2
	27 Undertake more consistent and robust approach to horizon scanning.	8.3
	28 Focus of any risk software introduced should be on supporting and enabling risk management.	4.1
	29 Introduce formal process for escalating key project risks on to Departmental and Strategic Risk Registers.	2.3
Risk Management Groups	30 Monitor and review how effectively they support the risk management process.	7.1
	31 Revised Handbook / Strategy should incorporate structure of groups, with roles and reporting lines.	1.1
	32 Consider “critical success factors” within the Groups.	1.1
Reputation Risk	33 Vital that all changes to service delivery are considered in the context of risk appetite.	8.4
	34 Exercise could be undertaken to identify those risks with the potential for reputational impact.	8.5
Added Value and Dynamism	35 Undertake refresh of strategic and departmental risk registers.	6.3, 8.6 and 8.7
	36 Key policies and strategies should contain risk management consideration.	8.8
	37 Include risk management as a standing agenda items on relevant committee and management meetings.	8.9
	38 Consider making risk management part of overall performance and competency reviews.	8.10
	39 Undertake assurance mapping exercise to review controls.	8.11
	40 Undertake a review of partnership and supply chain risks	8.12

Agenda Item 11

Committee(s):	Date(s):
Audit & Risk Management Committee	28 th January 2014
Subject: Internal Audit Satisfaction Review - Update	Public
Report of: Chamberlain	For Information
Summary	
<p>This report provides a progress update on the internal audit satisfaction review reported the September 2013 Committee meeting and the outcome of further Chief Officer engagement meetings that occurred in December 2013 and January 2014. Over the last two months, structured customer interviews led by the Business Support Director have been held with four more Chief Officers and one senior manager (City Bridge Trust - Chief Grants Officer) to provide strategic feedback on the satisfaction with the internal audit function. The feedback from Chief Officers and senior managers continues to be positive.</p> <p>Some further ideas, were identified from these more recent discussions to enhance further the value added by the internal audit function through actively promoting the full scope of the internal audit service, particularly in providing advice and guidance when new processes and systems are implemented, scheduling a review of the internal audit assurance definitions and recommendation categories in 2014/15, following the completion of the risk management strategy and providing summaries of internal audit work to the Monitoring Officer (Comptroller and City Solicitor) to support him in his statutory role.</p> <p>A risk, audit and fraud focused session was held with the full Chief Officers group on the 4th December. This session was primarily focused on a review of the strategic risk register, however it did also provide an opportunity to promote the work of internal audit, and highlight thematic internal control issues arising from audit and investigation work, so that Chief Officers can seek assurances that similar risk and control issues are not present in their own departments.</p> <p>Internal audit is regularly attending Departmental Management Team (DMT)s within the Chamberlain's and Community and Children's Services Departments and has also recently attended HR Management Team, and Comptroller and City Solicitors Management Teams. Agreement has also been reached to attend City Surveyor's and Markets and Consumer Protection DMTs. Some Chief Officer's preference it to have direct meetings with internal audit without the full presence of their management team, or with a smaller set of officers.</p>	
Recommendation	
Members are asked to note the report.	

Main Report

Background

1. The Audit and Risk Management Committee requested that there be a wider review of Customer Satisfaction with the internal audit function.
2. The Audit and Risk Management Committee requested a wider review of the level of Customer Satisfaction with the services provided by the Internal Audit Service. This review being aimed at supplementing the post-audit questionnaires (PAQs) which are routinely issued at the end of each piece of work. The outcome from the first round of interviews with Chief Officers was reported to the Audit and Risk Management Committee at the September meeting, including some actions identified to improve the service.
3. This report provides an update on the steps taken since that report, and the outcome of further Chief Officer engagement meetings that occurred in December 2013 and January 2014.

Customer Satisfaction Review

4. Over the last two months, structured customer interviews led by the Business Support Director have been held with four more Chief Officers and one senior manager to provide strategic feedback on the satisfaction with the internal audit function as follows:-
 - Director of Community and Children Services
 - Director of Markets and Consumer Protection
 - Director of Corporate HR
 - Comptroller and City Solicitor
 - Chief Grants Officer
5. The feedback questions focused on the following areas:
 - Usefulness and most important aspects of internal audit to Chief Officers;
 - Chief Officer awareness of lead audit manager for their Department;
 - Availability and provision of forward audit plan information and Chief Officer input to the development of internal audit plans;
 - Audit Plan coverage and extent that it covers areas of risk/concerns that Chief Officers have;
 - Clarity of internal audit reports and practicality of audit recommendations;
 - Extent that Chief Officers are aware and use internal audit for advice and guidance on risk and control issues;
 - Skills and expertise that Chief Officers are seeking from the internal audit function;
 - Assessment of auditor professionalism;
 - Review of internal audit function Key Performance Indicators; and
 - Identification of improvement areas for internal audit.

Feedback from our Clients

6. The feedback from Chief Officers and senior managers continues to be generally positive, recognising the shift in the internal audit approach over the last three years from a service predominantly focused on financial regularity to a service which gives broader assurance about both financial and non-financial controls and adds value to decision making.
7. Some further ideas, were identified from these more recent discussions to enhance further the value added by the internal audit function as follows:-
 - Continuing to promote the full scope of the internal audit role with Chief Officers and Senior Managers within Departments, particularly in providing advice and guidance, when new processes and systems are implemented, as this is a role that internal audit can perform, which Chief Officers were not sometimes aware of, or utilising.
 - Scheduling a review of the internal audit assurance definitions and recommendation categories in 2014/15, following the completion of the development, agreement and roll-out of the new risk management strategy and risk scoring matrices.
 - Providing summaries of internal audit work to the Monitoring Officer (Comptroller and City Solicitor) to support him in his statutory role.
8. These meetings also confirmed a growing appetite and acceptance of internal audit as a useful tool and source of assurance to Chief Officers as to the design and effectiveness of their systems of risk and governance.

Update on actions identified from previous report.

9. The following actions were identified during the summer of 2013. Below is an update of progress against each item.

Action 1 - Some promotion material will be developed for use by internal audit function staff to promote the full scope of internal audit work to Departmental Management Teams;

Update - The Audit Charter which was agreed by the Audit and Risk Management Committee at the October 2013 meeting, has been circulated to Chief Officers and is being used as the basis for promoting the service. A separate short pamphlet is currently in development, and further consideration is being given to developing a distinct branding for the service.

Action 2 - Periodic attendance of the Head of Audit or lead Audit Managers at the more significant Departmental Management Teams will be arranged, where this is not already in place;

Update - Internal audit is regularly attending DMT's within the Chamberlain's Department and Departmental of Community and Children Services. It has also recently attended HR and Comptroller and City Solicitors Management Teams. Agreement has also been reached to attend City Surveyor's and Market's and Consumer Protection Management Teams. Some Chief Officers preference it to have direct meetings with internal audit without the full presence of their management team, or with a smaller set of officers. As a minimum, internal audit will seek to engage at least bi-annually with each

Chief Officer to review forthcoming audit plans, and review the delivery of audit plans with Chief Officers mid-year.

Action 3 - Recruitment of new audit staff (there is one current vacancy and a pending retirement in the near future) and development plans for existing audit staff will place more emphasis on the ability to develop strong business relationships through the use of good interpersonal skills;

Update - Recruitment criteria, job description and person specification were updated for the senior auditor recruitment, with two senior auditors successfully recruited in the Autumn. Lead Audit Manager responsibilities have been reviewed so there is a better spread of Department clients responsibilities for 2014/15.

Action 4 - Development of greater thematic reporting of risk and control issues arising from routine audit and investigation work to Chief Officers.

Update - A risk, audit and fraud focused session was held with the full Chief Officers group on the 4th December. This session was primarily focused on a review of the strategic risk register, however it did also provide an opportunity to promote the work of internal audit, and highlight thematic internal control issues arising from audit and investigation work, so that Chief Officers can seek assurances that similar risk and control issues are not present in their own departments.

Action 5 - Introduce outcome-focused internal audit function KPIs with measurement and reporting introduced within quarterly internal audit update reports to Committee.

Update - The timely implementation of audit recommendations has been added to the internal audit section's KPI's and performance reporting.

Conclusion

10. Recent interviews with Chief Officers on the internal audit approach and how the service is developing continue to provide overall positive feedback on the service. A number of areas for improvement in the service are being progressed, including promoting the full scope of the advisory role that internal audit can play in relation to the introduction of new systems and processes.

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City of London Corporation – City Fund

Planning Report to the Audit and Risk
Management Committee

31 March 2014

the
Distinctive
audit

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I am delighted to present this planning report for the 2013/14 audit of the City Fund of the City of London Corporation. The report sets out our audit approach and the more significant areas where we will focus our attention this year.

(Heather Bygrave, Audit Partner)



The big picture

The Big Picture

Key developments in your business

- City Fund net revenue expenditure was expected at 31 December 2013 to be £3.5m under budget for the year ending 31 March 2014
- The City's analysis of the local government spending review 2013 suggests a reduction in core funding of 15.8% between 2014/15 and 2015/16. A programme of service based reviews is in progress to address the future spending gap created by the settlement
- A decision was taken to bring the City's procurement partnership to an earlier close with the aim of full internalisation of the service by 31 March 2014
- A contract for services for infrastructure systems, maintenance and support, service desk, desktop training, disaster recovery provision, and applications support and development was awarded and commenced from 1 September 2013.
- The Corporation propose to complete the transfer of certain properties from private and voluntary funds to the City Fund during the financial year. This is expected to be funded from revenue reserves.
- Oracle R12 upgrade scheduled. Whilst this is not expected to impact directly on our work in 2013/14, preparations are likely to be a draw on officers' time during the current year accounts and audit process.

Key measures from the FY14 Budget (original)

Gross expenditure - £308m

Amount to be met by government grants and taxpayers - £111m

General Fund and Earmarked revenue reserves at 1 April 2013 - £176m

Contribution to General Fund - £6m (before revenue contribution to finance planned transfer of properties to the City Fund)

Estimated materiality

Overall - £4.8m

Housing Revenue Account - £2.5m

Key developments in financial reporting requirements

- Changes to Code requirements in respect of the classification, recognition, measurement and disclosure of post-employment benefits
- New guidance on the accounting entries required from the localisation of business rates
- Clarification regarding the frequency of revaluations for properties which amends previous guidance to permit valuations to be carried out on a rolling basis only if revaluation of the class of assets is completed within a short period and provided that revaluations are kept up to date.
- Other smaller changes to presentation and disclosure matters in the financial statements.

Key developments in our audit response

- No changes to the overall scope of the audit
- Valuation of investment properties identified as an area of audit risk in view of the judgement involved in estimating the value of the portfolio
- Recognition of grant income identified as an audit risk taking account of the risk of fraud in revenue recognition presumed in auditing standards and in view of the judgements involved in recognition of grant income
- The transfer of assets from other funds will require compliance with relevant statutory requirements, including the value at which transferred and appropriate presentation and disclosure in the financial statements
- Risk of management override of controls, as presumed by auditing standards.

Our audit quality promise

Our audit quality promise

Our new quality standard



To ensure that best practice behaviours are embedded within our audit we will establish our Audit Quality Promise, a written document created through discussion with you, which focuses on our audit quality commitments to all stakeholders. It will include:

Our vision for the audit:

- A vision of how the audit will evolve in line with your business
- Covers scope, extended assurance, data analytics roadmap, insight plan and team

Feedback on prior year audit and actions agreed to achieve continuous improvement

- This will be based upon an annual debrief with the finance team.

Communication strategy for all key stakeholders

- Includes details of meeting frequency, meeting attendees and content

Commitments from both sides as to how we will work together at all levels:

- Members
- Senior management
- Finance team

Summary of agreed detailed insight plan

- Areas include sector and industry issues, systems and processes, technical and regulatory updates, analytics and KPIs, audit risk areas and governance & controls

Appendix

- Forward looking calendar of relevant Deloitte events and publications

We have had initial discussions with Caroline Al-Beyerty and her team and will develop and finalise a draft once the new Chamberlain is in post.

Changes in you Statement of Accounts

Changes in your Statement of Accounts

New reporting requirements



We welcome this opportunity to set out for the Audit and Risk Management Committee a summary of the latest developments in financial reporting which will impact this year end.

Change in Code of Practice on Local Authority Accounting requirements	Impact on the City Fund
Post-employment benefits – changes have been made to Code requirements in respect of the classification, recognition, measurement and disclosure requirements introduced as a result of amendments to the relevant accounting standard.	This is relevant to the City Fund and will require a number of changes to the calculation and presentation of entries. There is no impact on the City Fund balance as a result of the changes.
Accounting for business rates retention – the Code provides guidance on the accounting requirements arising from the localisation of business rates in England from 1 April 2013.	This is relevant to the City Fund and is discussed further in the next section.
Dedicated Schools Grant (DSG) – the most current disclosures for DSG are provided in accordance with statutory reporting requirements.	This is not a significant disclosure for the City in view of the low level of this grant. Nevertheless, minor changes will be needed to the format of the note to bring into line with the latest guidance.
<p>Presentation of Financial Statements – The Code makes amendments to the format of the Comprehensive Income and Expenditure Statement resulting from amendments to the related accounting standard. This is in respect of items that are potentially re-classifiable to Surplus or Deficit on the Provision of Services at a future time. Where authorities have transactions that include amounts that are re-classifiable in the Surplus or Deficit on the Provision of Services, the items listed in Other Comprehensive Income and Expenditure must be grouped into those items that:</p> <p>a) will not be reclassified subsequently to the Surplus or Deficit on the Provision of Services; and</p> <p>b) will be reclassified subsequently to the Surplus or Deficit on the Provision of Services when specific conditions are met.</p>	<p>Management do not anticipate there will be any transactions that are re-classifiable to the Surplus or Deficit on the Provision of Services in the previous or current financial year.</p> <p>Where local authorities do not have such transactions, no change is needed to the format of the Comprehensive Income and Expenditure Statement. However CIPFA recommends in such circumstances that authorities clarify in their summary of significant accounting policies that, where this is the case, they do not have such transactions and have therefore not grouped the items in Other Comprehensive Income and Expenditure into amounts that may be re-classifiable and amounts that are not.</p>
Revaluation of properties - Clarification regarding the frequency of revaluations for Property, Plant and Equipment which amends previous guidance to permit valuations to be carried out on a rolling basis only if revaluation of the class of assets is completed within a short period and provided that revaluations are kept up to date.	This is relevant to the City. We consider this in more detail in the next section.
The Carbon Reduction Commitment (CRC) Energy Efficiency scheme – The Code has been updated for changes in the scheme applicable to 2013/14. In particular, as 2013/14 is the end of the introductory phase, there is no option to carry forward allowances for use in respect of emissions in 2014/15 with any remaining unused allowances at the end of the introductory phase become invalid. Guidance on any allowances purchased prospectively for 2014/15 is pending.	This is applicable to the City Fund, but not expected to have a material impact.
Service Concession Arrangements (PFI and PPP Arrangements) – updates to ensure that its provisions adequately reflect the grantor arrangements, particularly in relation to assets under construction and intangible assets.	This is not relevant to the City Fund.

Scope of work and approach

This section sets out our planned scoping for the audit of the financial statements. We discuss our determined materiality and confirm the level of unadjusted misstatements which we will report to you. We confirm the extent to which reliance will be placed on internal controls and how this decision has been reached.

Scope of work and approach

Areas of responsibility under the Audit Commission's Code of Audit Practice

Responsibilities related to the financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) (ISA (UK and Ireland)) as adopted by the UK Auditing Practices Board (APB) and the Audit Commission's Code of Audit Practice. The City will prepare its accounts under the Code of Local Authority Accounting. There are no significant changes in respect of the scope of our work in relation to this area of responsibility. We are also required to report on the regularity of income and expenditure.

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work. We will also review reports from relevant regulatory bodies and any related action plans developed by the City.

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on the City's whole of government accounts return. Our report is issued to the National Audit Office (NAO) for the purposes of their audit of the Whole of Government Accounts.

Responsibilities related to the City Fund's use of resources

We are required to satisfy ourselves that the City has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in the City Fund's use of resources.

Our conclusion is given in respect of two criteria:

- Whether the organisation has proper arrangements in place for securing financial resilience; and
- Whether the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

In discharging this responsibility, we take into account our work on the Annual Governance Statement and the work of regulators.

We then provide a conclusion on these arrangements (our "Value for Money Conclusion") as part of our audit report.

Scope of work and approach

Approach to controls testing

As set out in "Briefing on audit matters" circulated to you in July 2011, a copy of which can be made available, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Liaison with internal audit

The audit team, consistent with previous years, will leverage off of the work performed by internal audit wherever possible to allow efficiencies and limit a duplication of work. We will first update our assessment of the organisational status, scope of function, objectivity, technical competence and due professional care of the internal audit function. We will refer to the internal audit's self-assessment and peer review assessment in carrying out this work. Over the course of the audit, we will review the findings of internal audit and where internal audit identifies specific material deficiencies in the control environment, we will consider adjusting our testing so that the audit risk is covered by our work.

For those areas where a significant risk has been identified, no reliance will be placed on the work of internal audit and we will perform all work ourselves.

Materiality and error reporting threshold

For the 2013/14 financial statements, we have estimated materiality based on net cost of services for the year and estimated reserves position.

We have set a lower materiality for the Housing Revenue Account based on that Account's reserves position

We will report to the Audit and Risk Management Committee on all unadjusted misstatements greater than the reporting threshold shown below and other adjustments that are qualitatively material.

Estimated materiality and error reporting thresholds

Overall

Materiality - £4.8m

Error reporting threshold - £240k

Housing Revenue Account

Materiality - £2.5m

Error reporting threshold - £125k



Significant audit risks

This section sets out our comments regarding the significant audit risks identified. We explain the nature of the risk itself, how these risks will be addressed by our audit work and any related presentational and/ or disclosure matters within the financial statements.

Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks, that we are able to provide the highest quality assurance in the most efficient and effective manner.

1. Grant income recognition

Evaluating whether recognition is consistent with grant terms and conditions can involve significant judgement.

Nature of risk

We have identified a key audit risk in revenue recognition from grants from fraud or error. This is due to the fact that where grants have conditions attached revenue should only be recognised when such conditions have been met. In the prior year grant income amounted to £177m.

The key judgement areas and our planned audit challenge

We will examine guidance given to staff on the accounting for grants and associated operating instructions and other arrangements. We will determine whether our work can be further focused on the basis of this.

We will also carry out extended testing to check that recognition of income properly reflects the grant scheme rules.

2. Valuation of investment properties

The valuation of the City's investment property assets is inherently judgemental.

Nature of risk

The City has a substantial portfolio of investment properties which are subject to annual revaluation (£794m at 31 March 2013). Some of the properties require the application of specialist valuation assumptions. The current and recent economic volatility has affected property values, generally, and the City has recorded significant gains and losses over the last 3 years.

The City intends to have an independent valuation carried out for the purposes of the 31 March 2014 financial statements.

The key judgement areas and our planned audit challenge

We will evaluate the arrangements in place around the property valuation as part of the interim audit. This includes arrangements over the engagement and instruction of the valuer and the provision of data to the valuer.

We will use our valuation specialists, Deloitte Real Estate to review and challenge the appropriateness of the assumptions used in the year-end valuation of the City Fund properties.

3. Transfer of properties to the City Fund

This is a significant, unusual transaction

Nature of risk

The Resource Allocation Sub Committee previously allocated £110m of City Fund's cash reserves to property in order to secure a better rate of financial return. The Corporation propose to execute the remainder of this plan through the transfer of properties from City's Cash and Bridge House Estates with value of £104m (excluding stamp duty).

The transaction will require the compliance with relevant statutory requirements on the City Fund and transferors and appropriate governance arrangements.

The transaction will have a significant impact on the current year financial statements and will require appropriate disclosure in the financial statements and explanation in the Explanatory Foreword.

The key judgement areas and our planned audit challenge

We will review relevant documentation to confirm our understanding of the business rationale for the transaction and evaluate and conclude on the Corporation's arrangements for securing compliance with relevant statutory requirements applying to the City Fund and the transferors.

An area of particular focus will be the value at which the properties are transferred. We understand external valuers have been engaged to provide advice. In view of the size of the transaction, we will utilise internal valuation specialists from Deloitte Real Estate, to assist us in our review of the work of the valuer and challenge key assumptions in the valuation.

We will perform a focused review of the disclosures around this transaction and test and conclude on whether these meet relevant disclosure requirements, including those relevant to related party transactions and overall challenge whether there is sufficient and appropriate disclosure to give a true and fair view. We would be pleased to review proposed drafting in advance of the preparation of the Statement of Accounts, where this is available early.

4. Management override of controls

We will focus on the testing of journals, significant accounting estimates, and any unusual transactions in the year.

Nature of risk

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

The key judgement areas and our planned audit challenge

Our work will focus on:

- the testing of journals, using our proprietary software “Spotlight” to analyse the journal data as a basis for focusing our testing on higher risk journals;
- any significant accounting estimates in addition to the estimates discussed above in respect of provisioning for provider claims; and
- any unusual transactions, including those with related parties.

Other accounting judgements and issues

Other accounting judgments and issues which have not currently been identified as significant audit risks are as follows

The Crossrail commitment

- The notes to the financial statements have since 2008/9 disclosed a commitment made by the City to contribute £200 million towards the cost of Crossrail.
- During our audit of the 2008/9 financial statements we discussed with officers their assessment of the accounting treatment for this item. We concurred with officers that the agreement with the Government, contained within an exchange of letters between the Corporation and the Secretary of State, is an “executory contract” (contracts under which both parties are still to perform to an equal degree the actions promised by and required of them under the contract). As such it falls outside the scope of International Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets (unless onerous).
- As a result, in past financial statements, whilst the transaction has been disclosed as a commitment, a liability has not yet been recognised on the balance sheet pending performance of the undertakings made by the Secretary of State, which include completion of certain works in relation to Crossrail stations.
- Based on the expected timetable for completion of the scheme, we are not anticipating any change to the position for the 2013/14 accounts, but will review with officers during our interim and final audit visits.

Valuation of properties

- The Code has been updated to provide clarification on the frequency of revaluation of property, plant and equipment.
- The Code requires that items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, the Code allows valuations to be carried out on a rolling basis, but only if revaluation of the class of assets is completed within a short period and provided that revaluations are kept up to date (e.g. by the use of indices).
- No further guidance is provided as to how a 'short period' should be interpreted for these purposes although, given the drafting of the Standard, it is presumably less than a financial year. The general approach of IFRS, however, is to require simultaneous valuations so as to avoid the reporting of amounts that are a mixture of costs and values as at different dates. Accordingly, it is commonly interpreted amongst corporate reporters as requiring: for all such valuations to take place in the same accounting period; and for the acceptable length of the period to take into account how stable fair values are, so that greater volatility requires a shorter period over which to perform valuations.
- The area of concern for the City Fund relates to the “Other land and buildings” class where revaluations have in the past been carried out on a rolling basis. Assets in other classes have either in the past been revalued on an annual basis or are carried at historical cost. The value of “Other land and buildings” at 31 March 2013 was £374m.
- Officers have indicated that given the volume and diversity of assets in “Other land and buildings”, it is probable that a range of indices may have to be used. They have advised that this will have manpower and timing implications and consider that the response should be proportional to the potential benefit to be derived by the readers of the financial statements. The requirements and approach will be discussed in more detail with the City and developing views on sector practice will also be taken into account.

Other accounting judgements and issues (continued)

Other accounting judgments and issues which have not currently been identified as significant audit risks are as follows

City of London pension scheme

- We understand that members have requested officers to consider proposals for the City Fund's share of the City of London pension scheme to be reflected within the City Fund's financial statements.
- We are considering with officers how the objective might best be achieved.

Localisation of business rates

- The Government introduced a business rates retention scheme from 1 April 2013. The intention behind the scheme is to provide a direct link between business rates growth and the amount of money councils have to spend on local people and local services.
- The scheme involves a system of tariffs and top-up payments to and from government to even out situations where business rates are not in proportion to current spending. The government has indicated that the levels of tariff and top-up payments will increase proportionately in line with the Retail Price Index. Relativities will not be reviewed until the system is reset. The government has said that this will not occur before 2020 at the earliest. This will provide councils with the certainty they need to plan and budget. In addition, safety net payments will be available if a council's business rates income falls by a certain amount. This will provide support if, for example, a major local employer closes. This safety net will be funded by a levy paid by those councils whose business rates revenue increases by a disproportionate amount compared to their needs. The levy is designed to ensure that the more councils grow their business rates, the more they benefit
- The introduction of the scheme will require the City to make new or changed accounting entries. We have not identified as a significant audit risk, however, as CIPFA have issued detailed guidance on the accounting implications for the localisation of business rates, including example entries, to assist with implementation.
- The accounting and estimation processes for appeals against rateable values require the exercise of judgement, but the impact on the Corporation would be below the audit materiality threshold due to a safety net which limits the City's losses to approximately £1.1m a year.

Value for money conclusion

Value for money conclusion

Our work will focus on the establishment of key governance arrangements during the first year of operation

Scope

Under the Code of Audit Practice 2010 we are required to include in our audit report a conclusion on whether the City of London Corporation has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources in respect of the City Fund - this conclusion is known as "the VFM conclusion".

Specified criteria for auditors' VFM conclusion	Focus of the criteria for 2014
The organisation has proper arrangements in place for securing financial resilience.	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Approach to our work

We draw sources of assurance relating to our VFM responsibilities from:

- the audited body's system of internal control as reported on in its Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review agencies to the extent that the results come to our attention and have an impact on our responsibilities;
- any work mandated by the Commission – of which there was none in 2014; and
- any other locally determined risk-based VFM work that auditors consider necessary to discharge their responsibilities.

Risk assessment

Our preliminary assessment is that there were no risks in relation to our VFM responsibilities which require local work to be carried out and we have therefore not identified any risks or additional local studies in our audit plan.

We will carry out our detailed risk assessment from April to take account of the latest refresh of the Medium Term Financial Strategy, as well as the outturn financial and performance information for 2013/14. The risk assessment involves consideration of common risk factors for local and police authorities identified by the Audit Commission, concluding on whether they represent actual risks for the purpose of our VFM conclusion on the City Fund. We will undertake this work through review of relevant documentation, including committee papers and discussion with officers. We will also consider whether there are other risks which might be specific to the City Fund. We will do this principally through our consideration of what has been reported in the Annual Governance Statement, matters reported by regulators and other matters which have come to our attention from our work carried out in relation to our other Code responsibilities.

Our insight plan



Our insight plan

We have summarised below some of the ways we will provide the City with insight during 2014

- Sharing knowledge of sector developments.
- We have attached at Appendix 6 a summary of our research into the state of local public services



- Feedback comments from our VFM conclusion work

- Share with officers emerging issues

- Benchmarking of pension and estate valuation assumptions used
- Risk based journal analysis covering period end postings utilising our proprietary "Spotlight" software

- "Faster close" to the accounts workshop run 2013

- Early discussion of Code changes, their expected impact on the City Fund and proposed response
- Early review of draft financial statements or draft financial statements

Responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit
- Key regulatory and corporate governance updates, relevant to you on request.

What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Court of Common Council.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

- This report should be read alongside the supplementary "Briefing on audit matters" circulated to you in July 2011, a copy of which can be made available.
- Our Audit Quality Promise and Insight Plan will provide the details of additional procedures we have agreed with you we will perform alongside the audit of the financial statements.
- We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP
Chartered Accountants

St Albans
16 January 2014

This report has been prepared for the Court of Common Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Prior year disclosure misstatements

We remind you of prior year disclosure misstatements

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. The table below highlights those areas of disclosure that we considered required consideration by the committee in the prior year in relation to disclosures omitted in the prior year financial statements.

Disclosure	Summary of disclosure requirement
Date of last revaluation	Date of last revaluation of property, plant and equipment
Financial assets	Analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors that the authority considers in determining that they are impaired.
Revaluation losses	Separate disclosure of reversal of revaluation losses and revaluation losses in the Property, Plant and Equipment note
Debtor impairment account	A reconciliation of changes in that debtor impairment account during the period, for each class of financial asset

Appendix 2: Independence and fees

We confirm we are independent of the City of London Corporation

As part of our obligations under International Standards on Auditing (UK & Ireland), the Listing Rules and the Companies Act, we are required to report to you on the matters listed below:

Independence confirmation

We confirm we are independent of the City of London Corporation and will reconfirm our independence and objectivity to the Audit and Risk Management Committee for the year ending 31 March 2014 in our final report to the Audit and Risk Management Committee.

Fees

Details of the non-audit services fees proposed for the period have been presented separately below.

Non-audit services

In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Corporation's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Appendix 2: Independence and fees (continued)

We summarise our relationships with the Corporation and explain our assessment of threats to auditor independence and safeguards

As part of our obligations under International Standards on Auditing (UK & Ireland) and the APB's Ethical Standards we are required to report to you on all relationships (including the provision of non-audit services) between us and the audited entity:

Relationship/Service provided	Threats to auditor independence	Safeguards in place
<p>Advice provided by Deloitte Real Estate in relation to lease advisory work.</p>	<p>Potential threats in relation to self-review and self-interest.</p> <p>The additional services do not represent material aspects of what we would consider in our audit work. We note that the properties account for only a small part of the City Fund property portfolio and in the case of the Tottenham Court Road estate, sit within City's Cash which is outside the scope of our audit.</p> <p>Management remain responsible for agreeing the rent level.</p> <p>Non audit fees agreed for 2013/14 are in aggregate less than the audit fee. Pre-approval for the level of non-audit fees has been obtained from the Audit Commission.</p>	<p>Non audit work is carried out by partners and staff who have no involvement in the audit and are drawn from different service line and office from the audit team.</p>
<p>Preparation of an independent research paper on the impact of the proposed financial transaction tax on the City of London. The work is for the International Regulatory Strategy Group which is jointly funded by the City of London Corporation and another party. The contract is with the City of London Corporation</p>	<p>The additional services do not represent material aspects of what we would consider in our audit work. In particular we note that the service is provided to City's Cash and therefore does not form part of the City Fund accounts which is the subject of our appointment.</p> <p>Non audit fees agreed for 2013/14 are in aggregate less than the audit fee. Pre-approval for the level of non-audit fees has been obtained from the Audit Commission.</p>	<p>Non audit work is carried out by partners and staff who have no involvement in the audit and are drawn from different service line and office from the audit team.</p>

Appendix 2: Independence and fees (continued)

We summarise earned or proposed audit and non-audit fees for the year

The professional fees earned or proposed by Deloitte in the period from 1 April 2013 to 31 March 2014 are as follows:

	Current year £000	Prior year £000
Audit of the City Fund	*113	104
Audit related assurance services		
Certification of grants and returns on behalf of the Audit Commission	22	24
Other non-audit services		
Lease advisory services	20	49
Total fees	155	177
Audit of the City of London pension scheme	21	21

*The fee includes an amount of £8,657 which is additional to the current Audit Commission scale fee. This reflects the loss of synergies previously available from our role as auditor of the private and voluntary funds of the Corporation. The amount is subject to approval by the Audit Commission. In addition, the return made to the Government in relation to pooled business rates no longer requires certification and a deduction has been made by the Audit Commission from the scale rate in respect of this. The Audit Commission is currently consulting on whether a compensating adjustment will be made to the audit scale rate as our work on the Collection Fund drew on the work carried out for certification purposes.

In addition to the above, the professional fees earned or proposed by Deloitte for services in the period from 1 April 2013 to 31 March 2014 in respect of other funds of the Corporation and other entities controlled by the Corporation are estimated as follows:

	£
Tax advisory services	
Research paper on financial transaction tax	18
Other non-audit services not covered above	
Lease advisory services	15
Total non-audit services excluding City Fund	33

Appendix 3: Fraud: responsibilities and representations

We summarise our respective responsibilities regarding fraud

Characteristics

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Responsibilities

Your responsibilities

- The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations

Our responsibilities

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in Section 2 above we have identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.

Appendix 3: Fraud: responsibilities and representations (continued)

We will make inquiries and obtain representations regarding fraud

We will make the following inquiries regarding fraud:

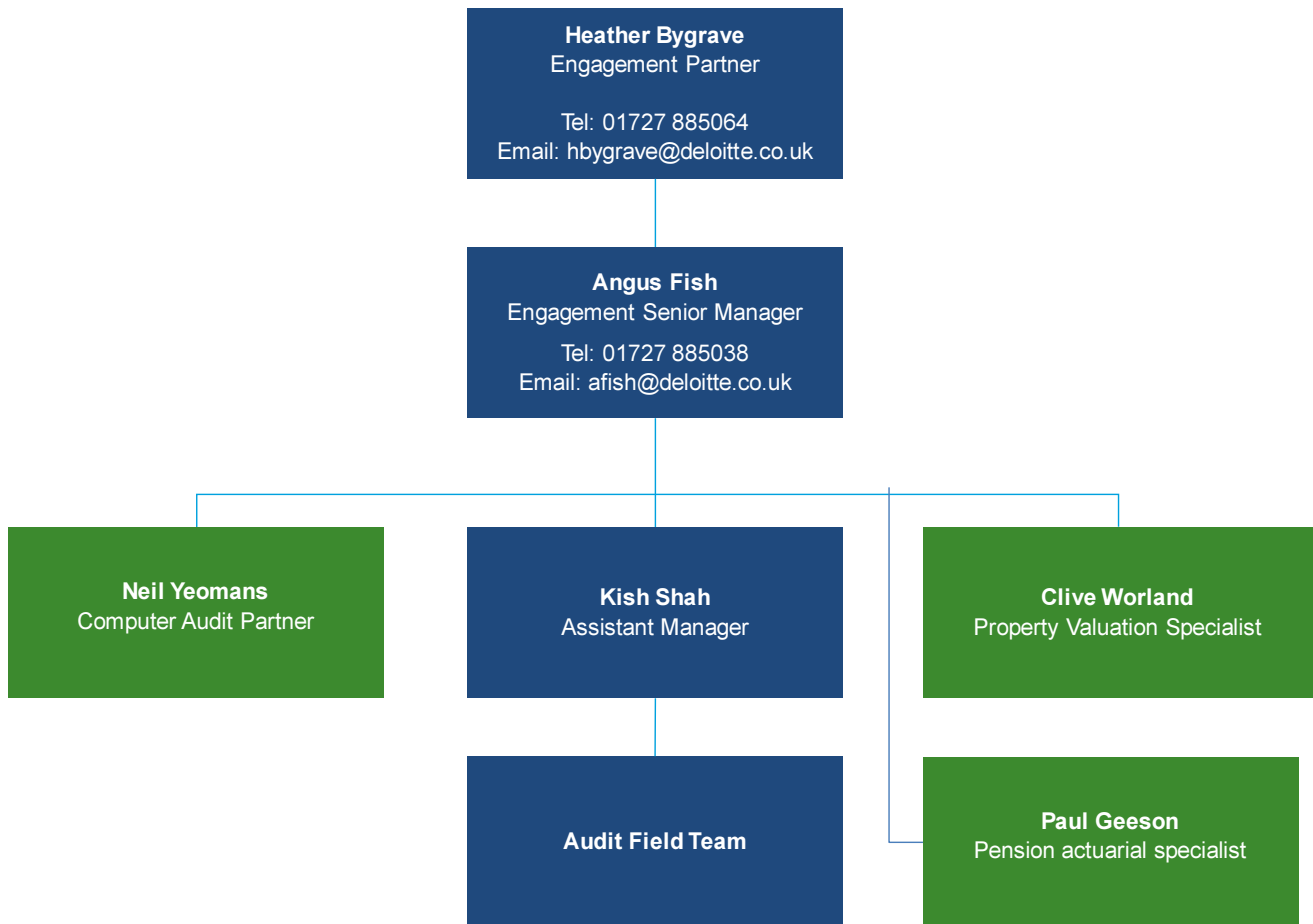
Management	Internal Audit	Those charged with governance
<p>Management's assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments</p> <p>Management's process for identifying and responding to the risks of fraud in the entity</p> <p>Management's communication to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity</p> <p>Management's communication, if any, to employees regarding its views on business practices and ethical behaviour</p> <p>Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity</p>	<p>Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud</p>	<p>How those charged with governance exercise oversight of managements processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks</p> <p>Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity</p>

We will request the following to be stated in the representation letter signed on behalf of the Corporation:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- [We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and] that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 4: Your audit team

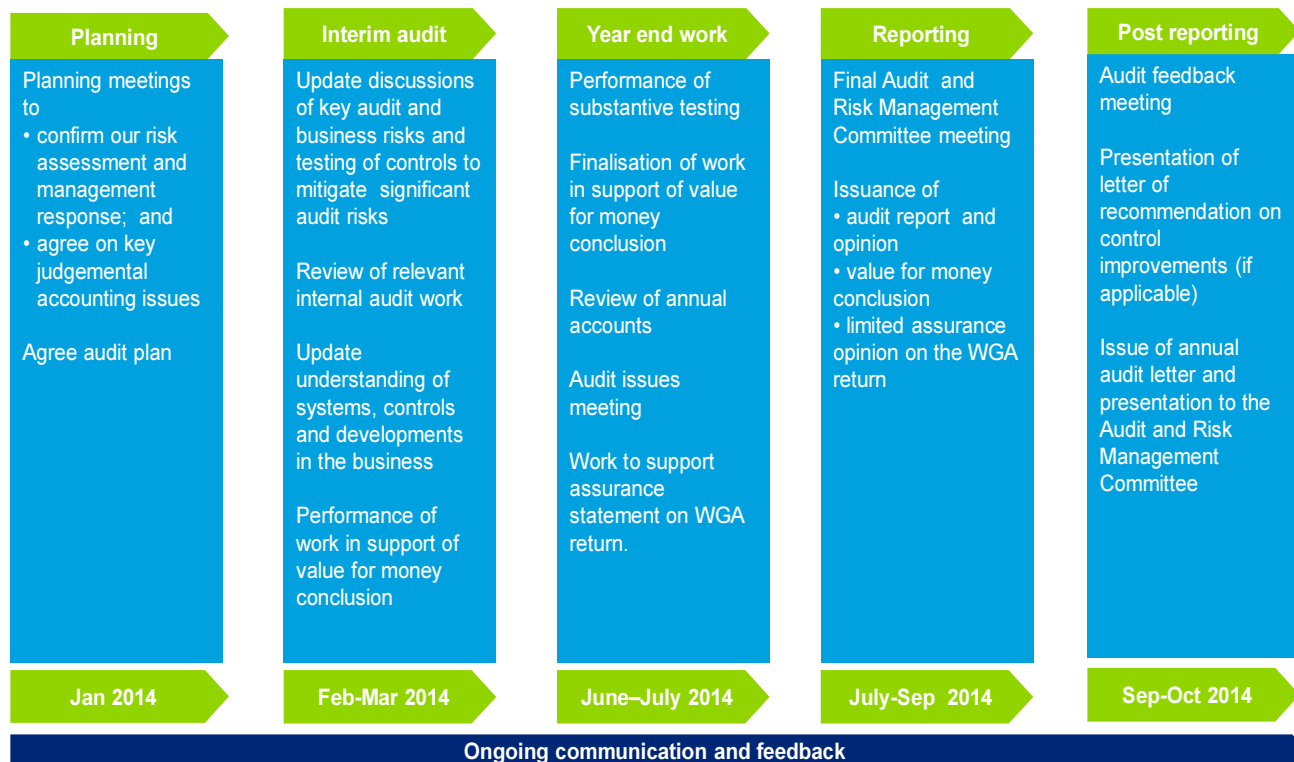
We set out key members of your audit team



Appendix 5: Timetable

We summarise the timing of the key phases of the audit

Set out below is the approximate expected timing of our reporting and communication with you.



Our interim work will be carried out in the two weeks commencing 24 February 2014.

Our final audit visit will commence on 9 June 2014 and run through to completion of the fieldwork expected at the end of July 2014. We will issue our opinion as soon as possible thereafter.

The work to support our limited assurance report on the WGA return will take place in August 2014 and we expect to issue our assurance report in September 2014.

We expect to issue our annual audit letter in September 2014.

Appendix 6: State of local public services

We summarise the outcome of our research which provides further context for our audit



During the spring and summer of 2013, Deloitte conducted detailed research to answer a simple question: what is the state of the UK state? As part of the research, we commissioned IPSOS MORI to capture the attitudes of people that run local public services. The results provide a snapshot of local services during a period of profound change.

We have summarised the key messages in relation to local public services below.

Overall

Overall chief executives told us that they feel their organisations are coping well and responding effectively to the challenging circumstances.

They also said that while the depth and speed of change has been difficult for staff, morale is holding up, although future cuts create understandable concerns.

Link between local economies and local services has moved up the agenda

Combined with cuts, the recession has put the health of local economies high on the agenda. Weak economic growth and unemployment has increased pressure on the local public sector as demand for spending has increased. This concern was a clear theme, particularly at a time when cuts are reducing capacity to provide. One police respondent reported that while crime was down overall, shoplifting for food has increased.

Local public service executives fear the impact of welfare reforms

Our research suggests that public service leaders are particularly concerned about the fallout from welfare reform. Some wondered if central government has assessed whether savings on welfare spending will be counterbalanced by increased demand on local services. This was particularly a concern for directors in children's services where interviewees described rises in child protection cases. Many expressed concerns that cuts will affect their ability to invest in preventative services.

The people in our local public services are focused on opportunities – not just challenges

Our research showed that local public service executives see the current climate as an opportunity to refocus their services on residents' needs and outcomes, as well as to use creativity rather than resources to solve problems. One police respondent told us that in the past, additional finance would have been used to deliver change – but now, the force explores service redesign. On balance, interviewees felt that the opportunities of the coming five years outweigh the challenges

The game has changed – so have leadership priorities

When interview responses were collated, a striking trend emerged: organisational leaders are focused on their people and how they can be empowered to rise to their organisation's challenges. Public value is a notably important issue; a number of executives mentioned values – such as caring, fair and trusted – as being central to the public service ethos. At a time of public sector headcount reductions, interviewees spoke of the importance of attracting staff with the right skills.

A new public services landscape has brought a new set of risks

A number of interviewees told us about the advantages of public sector partnerships in delivering joined-up services, transferring knowledge and generating savings. Most thought that partnerships with the private and third sectors were also beneficial. They thought that cross-sector working brought specific benefits, including exposure to new ideas and new delivery models, efficiency and quality from private sector and local knowledge and niche services from the third sector. But many also recognised that commissioning and partnerships outside the public sector brought new, critical risks that needed to be managed.

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City of London Pension Scheme

**Planning Report to the Audit and Risk
Management Committee**

31 March 2014

the
Distinctive
audit

Contents

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I am delighted to present this planning report for the 2013/14 audit of the City of London Pension Scheme. The report sets out our audit approach and the more significant areas where we will focus our attention this year.

*(Heather Bygrave,
Engagement Partner, January 2014)*



The big picture

The Big Picture

Key developments in your business

- Two investment managers have been replaced
- There are plans to create an investment property portfolio for the scheme, but this is not expected to happen before the end of the current financial year
- There are no significant changes to the scheme rules or other arrangements.
- There are no significant changes to the financial reporting framework
- Preparations for the shift to a career average basis for the calculation of benefits from 1 April 2014
- Focus within the sector on administration and investment manager fees
- Progress on collaboration on pension scheme administration across London
- Progress on new governance arrangements for the 2014 Scheme.

Key developments in our audit

- No changes to the overall scope of the audit
- Contributions remain a risk in view of the complexity arising from the participation of different admitted bodies within the fund, together with the fact that members may pay different rates depending on their pensionable pay
- Benefits in retirement and ill health remain risks in view of complexities around their calculation.
- The pension fund in the past has made some use of investments in unquoted investment vehicles and derivatives which can give rise to complexities in accounting, disclosure and measurement and therefore this area remains a risk.
- Risk of management override of controls, as presumed by auditing standards.

Scope of work and approach

This section sets out our planned scoping for the audit of the financial statements. We discuss our determined materiality and confirm the level of unadjusted misstatements which we will report to you. We confirm the extent to which reliance will be placed on internal controls and how this decision has been reached.

Scope of work and approach

Areas of responsibility under the Audit Commission's Code of Audit Practice

Responsibilities related to the accounts

Based on guidance issued by the Audit Commission, auditors are again asked, for audit purposes, to treat the Local Government Pension Fund (LGPS) as a stand-alone body, with separate audit plan and reports to those charged with governance.

LGPS funds administered by administering authorities are not statutory bodies in their own right. Therefore, it is not possible for separate audit appointments to be made for LGPS audits. We are therefore appointed to the audit of the LGPS through the existing Audit Commission appointment arrangements.

Our audit of the pension fund is planned in accordance with the Code of Audit Practice issued by the Audit Commission and in accordance with additional guidance issued by the Commission in relation to the audit of pension funds. However, this only extends to the audit of the accounts and there is no requirement for a value for money conclusion on the pension fund accounts specifically. Aspects of the use of resources framework will inform the value for money conclusion for the Corporation and cover issues relating to the pension fund.

The audit opinion we intend to issue as part of our audit report on the Corporation's financial statements will reflect the financial reporting framework adopted by the pension fund. This is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the "Code of Practice").

The Audit Commission has also determined that auditors should give an opinion in accordance with auditing standards on the financial statements included in the pension fund annual report. This entails the following additional work over and above giving an opinion on the pension fund accounts included in the statement of accounts:

- comparing the accounts to be included in the pension fund annual report with those included in the statement of accounts;
- reading the other information published within the pension fund annual report for consistency with the pension fund accounts; and
- where the pension fund annual report is not available until after the auditor reports on the financial statements, undertaking appropriate procedures to confirm that there are no material post-balance sheet events arising after giving the opinion on the pension fund accounts included in the financial statements.

The financial statements included in the pension fund annual report are prepared on the basis of the same proper practices - the Code of Practice - as the financial statements included in the statement of accounts.

Scope of work and approach (continued)

Approach to controls testing

As set out in "Briefing on audit matters" previously circulated to you, a copy of which can be made available, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Liaison with internal audit

The audit team, consistent with previous years, will leverage off of the work performed by internal audit wherever possible to allow efficiencies and limit a duplication of work. We will first update our assessment of the organisational status, scope of function, objectivity, technical competence and due professional care of the internal audit function. We will refer to the internal audit's self-assessment and peer review assessment in carrying out this work. Over the course of the audit, we will review the findings of internal audit and where internal audit identifies specific material deficiencies in the control environment, we will consider adjusting our testing so that the audit risk is covered by our work.

For those areas where a significant risk has been identified, no reliance will be placed on the work of internal audit and we will perform all work ourselves.

Materiality and error reporting threshold

We calculate materiality on the basis of the net assets of the fund, but have restricted this to the materiality established for the audit of the Corporation's financial statements as a whole. We estimate materiality for the year to be £4.8 million. We will report to the Audit and Risk Management Committee on all unadjusted misstatements greater than £240,000 and other adjustments that are qualitatively material.

We will update our assessment during the planning and interim visit based on latest outturn expectations

Further details on the basis used for the calculation of materiality are given in our audit plan for the audit of the Corporation's financial statements.



Significant audit risks

This section sets out our comments regarding the significant audit risks identified. We explain the nature of the risk itself, how these risks will be addressed by our audit work and any related presentational and/ or disclosure matters within the financial statements.

Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks, that we are able to provide the highest quality assurance in the most efficient and effective manner.

Significant audit risks

1. Contributions

There are complexities around the calculation of contributions.

Nature of risk

Unlike the position in the private sector, we are not required to issue a statement about contributions in respect of the LGPS.

Contributions for the year ended 31 March 2013 were £26.8 million, showing that this is a material income stream for the pension fund. This is expected to continue in the current period with the continued active membership paying contributions. Due to the complexity introduced by the participation of more than one employer in the fund, together with the past introduction of a tiered contribution rates; we have identified contributions as a specific risk.

The key judgement areas and our planned audit challenge

We will evaluate the design and implementation of the City's arrangements and perform substantive audit testing in this area. This will include completing procedures to ascertain whether employer and employee contributions have been calculated and deducted correctly. Further procedures will be completed surrounding the completeness of the scheduled payments and the accuracy of the receipts against that schedule.

2. Benefits

There are complexities surrounding the calculation of both benefits in retirement and ill health and death benefits

Nature of risk

The complexities surrounding the calculation of both benefits in retirement and ill health and death benefits remains a key area of audit risk.

In respect of benefits in retirement, benefits are accumulated on two different bases for service pre and post 1 April 2008; the calculation of the pensionable pay on which benefits will depend may be varied by the individual opting to take account of pay earned in any of the 10 years prior to retirement; and individuals now enjoy greater flexibility in their choice of the mix of pension and lump sum.

In respect of ill health and death benefits, the calculation of the pensionable pay on which benefits will depend may be varied by the same options as discussed above.

The completion of the legislation leading to the change in the revaluation basis to Consumer Price Index adds a further complexity to the above calculations going forward.

In the year ended 31 March 2013, total benefits paid were £35.4 million. The material values of these benefits further indicate that this is an area or key audit risk.

The key judgement areas and our planned audit challenge

We will review the design and implementation of controls present at the Fund for ensuring the accuracy, completeness and validity of benefits through discussion with the pensions team and testing that controls were in force during the year under review. We will also:

- Obtain a schedule of benefits paid and select a sample of benefits for detailed testing through agreement to supporting documentation, and review of the calculation, by reference to the qualifying service, scheme rules and benefit choices made by the member; and
- Develop an expectation based on the prior year balance, adjusted for changes in membership numbers and pension increases to analytically review the pension benefits paid in the year.

3. Investments

There are areas of judgement involved in the valuation of investments private equity, managed funds and derivatives.

Nature of risk

The pension fund makes some use of investments in unquoted investment vehicles, like private equity houses.

Private equity funds are complex to value and include an element of judgement on the part of the investment manager. In addition, further amounts are invested in managed funds which are complex to value due to the difficulty in visibility of the underlying investments.

Given that these funds form a material balance within the pension fund accounts, we have identified the valuation of these funds as a specific risk.

The fund also holds a small number of derivative contracts.

The key judgement areas and our planned audit challenge

We will seek to understand the approach adopted in the valuation of such investments and inspect documentation relating to data sources used by the Corporation. We will tailor further procedures depending on the outcome of that work and our assessment of the risk of material error taking into account the fund's investment holding at the year end.

Derivatives can be complex in terms of accounting, measurement and disclosure requirements. We will first understand the rationale for the use of the derivatives and then test compliance with the accounting, measurement and disclosure requirements of the Code of Practice. The use of specialist advice may be required for testing these balances.

4. Management override of controls

We will focus on the testing of journals, significant accounting estimates, and any unusual transactions in the year.

Nature of risk

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

The key judgement areas and our planned audit challenge

Our audit work will include:

- Reviewing a sample of journal entries that characteristics that may be indicative of potential fraud and management override of controls.
- Reviewing analysis and supporting documentation of key estimates and judgements.
- Performing substantive testing on journal entries to confirm that they have a genuine, supportable rationale;
- Reviewing ledgers for unusual items and on a test basis investigated the rationale of any such postings;
- Reviewing significant management estimates and judgements such as year-end accruals and provisions and consider whether they are reasonable; and
- Making enquiries of those charged with governance as part of our planning and detailed audit processes.

Responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit.
- Key regulatory and corporate governance updates, relevant to you.

What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Court of Common Council.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

- This report should be read alongside the supplementary "Briefing on audit matters" previously circulated to you and available on request.
- We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP
Chartered Accountants

St Albans
16 January 2014

This report has been prepared for the Court of Common Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Independence and fees

We confirm we are independent of the City of London Corporation

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Audit Commission's Code of Audit Practice, we are required to report to you on the matters listed below:

Independence confirmation	We confirm we are independent of the City of London Corporation and will reconfirm our independence and objectivity to the Audit and Risk Management Committee for the year ending 31 March 2014 in our final report to the Audit and Risk Management Committee.
Fees	Details of the non-audit services fees proposed for the period have been presented separately in the appendix.
Non-audit services	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Corporation's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

We summarise our relationships with the Corporation and explain our assessment of threats to auditor independence and safeguards in the City Fund audit plan document.

Appendix 1: Independence and fees (continued)

We summarise earned or proposed audit fees for the year

The professional fees earned or proposed by Deloitte in the period from 1 April 2013 to 31 March 2014 are as follows:

	Current year £000	Prior year £000
Audit of the City of London pension scheme	21	21

There are no non audit services provided or proposed to the City of London pension scheme for the period from 1 April 2013 to 31 March 2014.

Professional fees earned or proposed by Deloitte for services in the period from 1 April 2013 to 31 March 2014 in respect of other funds of the Corporation and other entities controlled by the Corporation are set out in our audit plan for the City Fund.

Appendix 2: Fraud: responsibilities and representations

We summarise our respective responsibilities regarding fraud

Characteristics

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Responsibilities

Your responsibilities

- The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Our responsibilities

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in Section 2 above we have identified the risk of fraud in management override of controls as a key audit risk for your organisation.

Appendix 2: Fraud: responsibilities and representations (continued)

We will make inquiries and obtain representations regarding fraud

We will make the following inquiries regarding fraud:

Management	Internal Audit	Those charged with governance
<p>Management's assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments</p> <p>Managements process for identifying and responding to the risks of fraud in the entity</p> <p>Managements communication to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity</p> <p>Managements communication, if any, to employees regarding its views on business practices and ethical behaviour</p> <p>Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity</p>	<p>Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud</p>	<p>How those charged with governance exercise oversight of managements processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks</p> <p>Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity</p>

We will the following to be stated in the representation letter signed on behalf of the Corporation:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- [We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and] that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 3: Operational arrangements

We set out key members of your audit team and other operational information

The work will be led by Heather Bygrave, supported by Ender Tahsin as audit manager.

Our work will be closely co-ordinated with the work carried out on other parts of main audit of the City Fund. Details of our timetable for that work are included in the City Fund audit plan.

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REPORT TO THOSE CHARGED WITH GOVERNANCE
JANUARY 2014



City of London Corporation

Bridge House Estates, City's Cash, City's Cash Trusts, the
Corporations Sundry Trusts & Other Accounts

External Audit Strategy & Planning Report on the 2013-14 Financial Statements

Contents

External Audit Strategy & Planning Report on the 2013-14 Financial Statements

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1 Introduction

The City of London Corporation has appointed Moore Stephens as external auditors to Bridge House Estates, City's Cash, City's Cash Trusts, the Corporation's Sundry Trusts & other accounts, for the four year period 2013-14 to 2016-17. A full list of the charities and entities covered by this plan is included in Appendix 1. This document comprises our audit strategy and approach for the 2013-14 external audit, the first year of our appointment.

Our audit is designed to allow us to give an opinion on whether the financial statements are 'true and fair' and where applicable have been prepared in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice and the Charities Act 2011 as appropriate.

1.1 Purpose of the plan

The plan sets out the ways in which both the City's Cash and the Corporation's charities and Moore Stephens will meet their respective responsibilities. The plan summarises:

- the responsibilities of the Corporation and the auditors;
- our audit approach to the audit;
- our assessment of key risk areas facing City's Cash and the Corporation's charities, and the impact of these risks on our audit;
- our liaison with internal audit;
- our timetable and the fee for the audit; and
- background to the Moore Stephens audit team.

1.2 Adding value through the audit

All of our clients quite rightly demand from us a positive contribution to meeting their ever-changing business needs.

We hope that our audit work will add value to the Corporation by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the Corporation promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated.

1.3 Actions for the Audit and Risk Management Committee

The Audit and Risk Management Committee is invited to consider and discuss:

- whether our assessment of the risks of material misstatement to the financial statements are appropriate and complete;
- our proposed audit plan to address these risks; and
- whether the financial statements could be materially misstated due to fraud, and communicate any areas of concern to management and the audit team.

Nick Bennett

Partner

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Moore Stephens LLP

Adrian Brook

Partner

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Moore Stephens LLP

2 Scope of our work

2.1 Introduction

We set out below an outline of the nature and scope of the work we propose to undertake and the form of the report we expect to make, including where relevant, any limitations thereon.

As you are aware, we issue an opinion at the end of the audit as to whether the financial statements give a true and fair view of the state of affairs at the period end, and of the result for the period then ended, and that the financial statements have been properly prepared in accordance with accounting standards and underlying legislation.

It is the responsibility of management and those charged with governance to prevent and detect fraud. In planning and performing the audit we need to consider the risk of material misstatement in the financial statements, including that due to fraud. We will be making enquiries of management with regard to your assessment of the risk that the financial statements may be materially misstated due to fraud.

Consequently, we consider the risk of your financial statements being misstated and/or not being prepared in accordance with accounting standards and underlying legislation. We then direct our work toward areas of the accounts which could contain material misstatements. Auditors do not examine every item in a group of transactions or balances but instead select a sample of those transactions or balances for examination. The level of testing we carry out is based on our assessment of risk. We also document and review your systems, partly to confirm they form an adequate basis for the preparation of the accounts, but also to identify the controls operated to ensure the completeness and accuracy of the data.

2.2 Scope of the Audit

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)). These standards represent best practice in auditing, thereby increasing public confidence in the audit process.

As part of the audit we will review the information published with the financial statements, including information contained in each of the Trustee's Annual Reports. We will report to you if, in our opinion the published information given is inconsistent in any material respect with the financial statements.

2.3 Respective Responsibilities

In line with ISAs (UK and Ireland) we are required to agree the respective responsibilities of the City of London Corporation and Moore Stephens. These responsibilities are set out in our Letter of Engagement dated November 2013. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

2.4 Trustee's Responsibilities for the Corporation's charities

The Trustee is responsible for preparing the Trustee's Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources of the charity for that period. In preparing these financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the charity's governing document. It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2.5 Corporation of London responsibilities for City's Cash

The City of London Corporation is responsible for preparing the City's Cash financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). It is also responsible for keeping proper accounting records and safeguarding assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

2.6 Report on matters by exception

Moore Stephens is also obliged to report on a number of matters by exception. These include whether adequate accounting records have been kept, and whether all information required for the audit has been provided.

2.7 Accounting estimates and related parties

ISAs (UK and Ireland) require us to consider the risk of material misstatement in respect of accounting estimates made by management. We have considered whether any significant risks exist and these are set out in the Significant Risk section of this report. We will work with management to identify any accounting estimates that may be made and we will assess whether any of these pose a significant risk of material misstatement.

We are also required to perform audit procedures to identify, assess and respond to the risks of material misstatement that may arise from failure to account for or disclose related party relationships appropriately.

Other matters

2.8 Materiality

The concept of materiality recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of the misstatement. In determining materiality, we consider a range of measures relevant to the account. Our initial calculation of materiality for the entities and funds covered by this plan is included in Appendix 1.

2.9 Independence

Moore Stephens complies with relevant ethical requirements regarding independence and has developed safeguards and procedures in order to ensure our independence and objectivity.

We will reconfirm our independence and objectivity to the Audit and Risk Management Committee following the completion of the audit.

3 Our audit approach

3.1 We plan to address significant risks of material misstatement in the financial statements

Our approach to the audit of financial statements uses a range of techniques to obtain audit evidence and assurance and is based on a thorough understanding of the organisation.

This understanding allows us to develop an audit strategy which focuses on addressing specific risks whilst providing an acceptable level of assurance across the financial statements as a whole.

3.2 Outline of our general audit approach

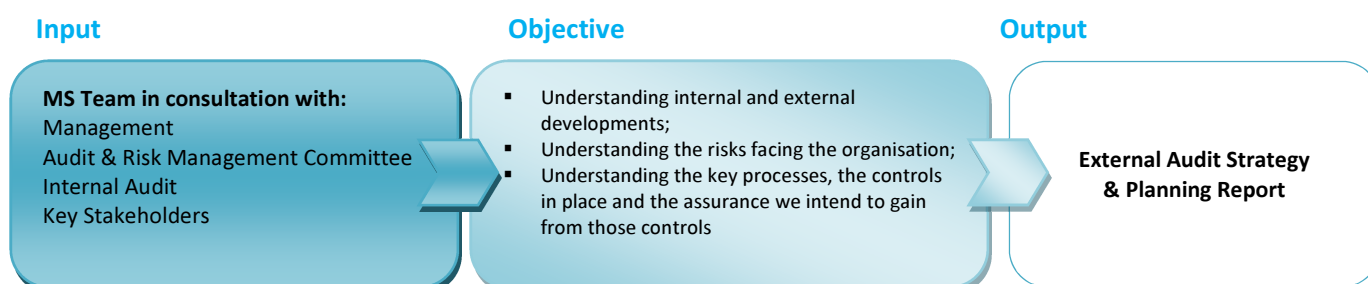
Our audit of the financial statements can be split into three phases:



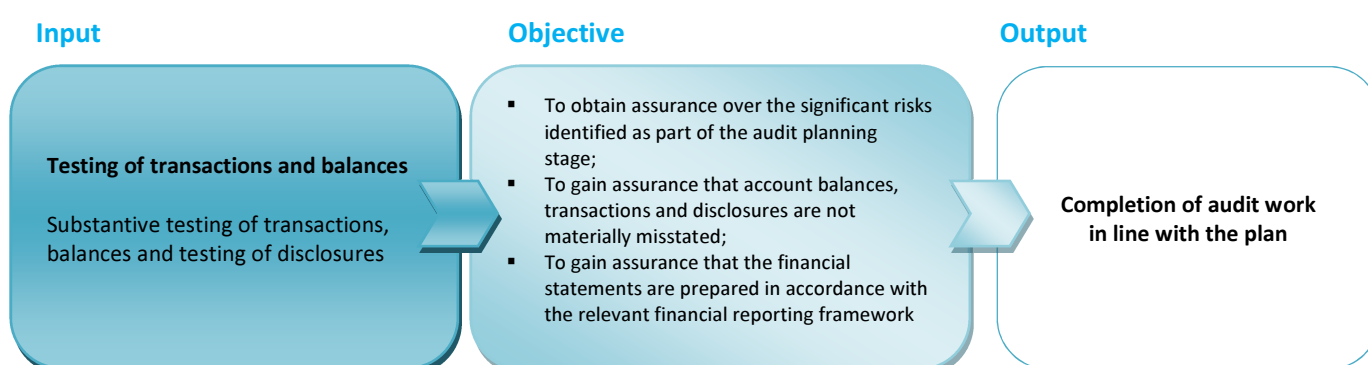
An overview of the inputs into each of the three audit approach phases, the work we undertake and our planned outputs is provided overleaf.

3.3 The three phases of the audit

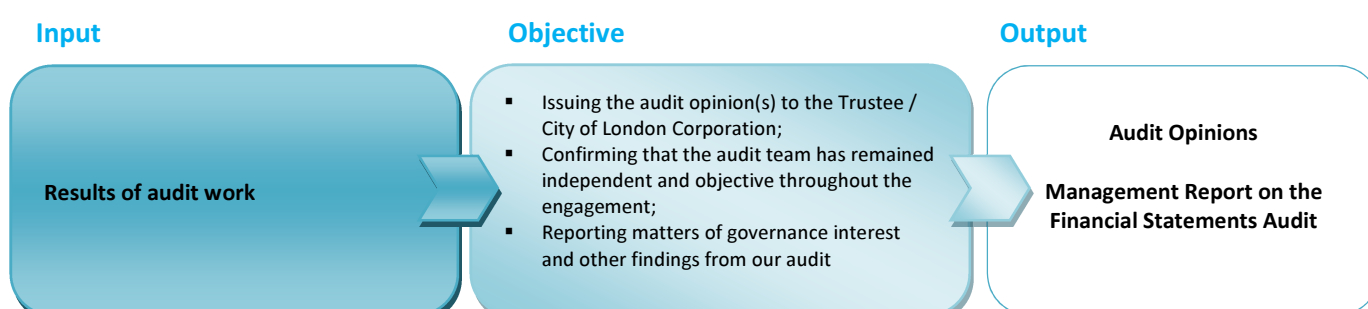
1. Developing the audit plan



2. Performing the audit



3. Concluding and reporting



3.4 Using the work of internal audit

We will liaise closely with internal audit throughout the audit process and seek to take assurance from their work where their objectives cover areas of joint interest. We also carry out a review of the internal audit structure and function in accordance with International Standard on Auditing (UK and Ireland) 610. Following our review of internal audit's plans we aim to take assurance from a number of reviews undertaken, including the following audit assignments:

- Cash receipting / Income management system (Chamberlain's Department);
- Mansion House income;
- Tower Bridge ticketing system;
- Guildhall School of Music and Drama income; and
- Open Spaces financial management and governance

3.5 Error reporting threshold

For reporting purposes, we will treat any misstatements below 1% of materiality as "trivial", subject to a de-minimis limit of £500, and therefore not requiring consideration by the Audit and Risk Management Committee. Please note that this is a separate threshold to our consideration of materiality by value, which is used in forming the audit opinion.

4 Findings from the audit

We expect to communicate the following to you:

4.1 Proposed modifications to our report

As you would expect, we will discuss any proposed modifications to our report with you to ensure that you are aware of the proposed modification and the reasons for it. This will also ensure that there are no disputed facts and enable you to provide us with further information and explanations in respect of any matters giving rise to the proposed modification.

4.2 Uncorrected misstatements detected by us

As you are aware, when misstatements identified by us are not corrected we communicate all such uncorrected misstatements, other than those we believe are trivial, to you and request you make the corrections. Where you do not wish to make some or all of the corrections, we shall discuss with you the reasons for, and the appropriateness of, not making those corrections, having regard to qualitative as well as quantitative considerations and consider the implications for our report of the effect of misstatements which remain uncorrected. We would also consider whether there are any uncorrected misstatements that should be communicated to the Trustee. We are required to obtain a written representation from the Trustee that explains your reasons for not correcting any misstatements brought to your attention by us. A summary of uncorrected misstatements will be included in, or attached to, a letter from you of representations made orally to us.

4.3 Significant findings from the audit

We will report to you any observations we may have regarding your systems and other appropriate matters. This report will focus on significant deficiencies that have come to our attention in the course of the audit and therefore will not necessarily cover all of the weaknesses that may exist in the system.

During the course of our audit, we consider the qualitative aspect of the accounting practices, including accounting policies, accounting estimates and financial statement disclosures, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We would discuss, as necessary, the following items with senior management and the Audit and Risk Management Committee:

- The appropriateness of the accounting policies to the particular circumstances;
- The timing of transactions and the period in which they are recorded;
- The appropriateness of accounting estimates and judgements (for example, in relation to provisions) including the consistency of assumptions and degree of prudence reflected in the accounting records;
- The potential effect on the financial statements of any uncertainties including significant risks and disclosures, such as pending litigation, which are required to be disclosed in the financial statements;
- Material uncertainties related to events and conditions that may cast significant doubt on the ability to continue as a going concern;
- The extent to which the financial statements are affected by any unusual transactions during the period and the extent to which such transactions are separately disclosed in the financial statements;
- Any apparent misstatements in the Trustee's report or material inconsistencies between the reports and the audited financial statements;
- Disagreements about matters that, individually or in aggregate, could be significant to the financial statements or the auditor's report. These communications include consideration of whether the matters have or have not been resolved and the significance of the matters;
- Significant difficulties, if any, encountered during the audit;
- Significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management; and
- Written representations we are requesting from management.

If, during the audit, we identify a fraud or obtain information that indicates a fraud may exist, we shall communicate this to you on a timely basis in order to assist you with your responsibility as regards the prevention and detection of such frauds.

We trust that this approach to the above matters is helpful to you.

4.4 Third parties interested in communications to those charged with governance

Occasionally you may wish to provide third parties, for example bankers, with copies of a written communication from ourselves. We need to ensure that any third parties that see any such communications understand that they were not prepared with them in mind. Therefore, we will normally state in our communications that the report has been prepared for the sole use of the City of London Corporation. It should not be disclosed to a third party, or quoted or referred to without our written consent and no responsibility is assumed by us to any other person. Consequently, we expressly disclaim any liability, howsoever arising, to third parties.

5 Significant risks

5.1 Risks of material misstatement in the financial statements

As part of our planning, we have held meetings with senior management to discuss their perception of the risks Bridge House Estates, City's Cash, City's Cash Trusts, the Corporation's Sundry Trusts & other accounts currently face. From this we have identified areas of significant audit risk and also areas where we consider that there are risk factors, either of material misstatement or to the delivery of the audit.

5.2 Significant issues identified during our audit fieldwork

Significant risks are identified as assessed risks of material misstatement that, in the auditor's judgment, require special audit consideration. Under International Standard on Auditing (UK and Ireland) 240, there are two presumed significant risks of material misstatement – fraud arising from management override of controls; and fraud in revenue recognition. Our initial planning work and discussions with City of London Corporation senior finance team have identified the following significant issues, which we consider should be brought to your attention.

Significant audit risk	Audit response
<p>Revenue recognition (All funds and entities)</p> <p>Under International Standard on Auditing (UK and Ireland) 240, there is a presumed, albeit rebuttable, significant risk of fraud in revenue recognition. We consider this risk cannot be rebutted for income in all organisations.</p>	<p>Our work will include:</p> <ul style="list-style-type: none"> ▪ documenting, evaluating and testing the controls which ensure income is completely and accurately recorded, specifically reviewing investment income and rental income from investment properties; ▪ performing substantive testing of all income stream transactions, including significant or unusual transactions; and ▪ reviewing the accounting treatment and disclosure of income to ensure that it is in accordance with UK GAAP and the Charities SORP.
<p>Management override (All funds and entities)</p> <p>Under International Standard on Auditing (UK and Ireland) 240, there is a presumed significant risk of material misstatement owing to fraud arising from management override of controls.</p>	<p>Our work will include (but shall not be limited to):</p> <ul style="list-style-type: none"> ▪ testing of journals; ▪ review and recalculation of estimates; and ▪ review of any significant or unusual transactions in the year.
<p>Asset Transfers (City's Cash and Bridge House Estates)</p> <p>We understand that the City of London Corporation is reviewing the possibility of the City Fund purchasing investment properties from the portfolios held by City's Cash and/or Bridge House Estates in order to achieve a better rate of return.</p>	<p>Our work will include:</p> <ul style="list-style-type: none"> ▪ reviewing and assessing the valuations attached to the asset transfers and ensuring that the amounts in the financial statements are correct; and ▪ confirming with the City Fund auditors that appropriate and equal entries have been made in the City Fund financial statements
<p>City of London Procurement Service (All funds and entities)</p> <p>The City of London Corporation are currently in negotiations with Accenture regarding the early termination of the contract whereby the two parties worked in partnership to deliver the City's Procurement and Purchase to Pay programme. The Corporation intends to run the service fully 'in-house' and therefore must ensure that a knowledge and skills transfer has taken place to provide for efficient and effective operation.</p>	<p>Our work will include:</p> <ul style="list-style-type: none"> ▪ reviewing the terms of any termination agreement and ensuring all charges have been properly reflected in the correct accounting period; and ▪ ensuring that all supplier payments processed through the CLPS are up to date and transactions are correctly reflected in the accounting records.

5.2 Other risk factors

Further to the identification of significant audit risks, we have also identified risk factors which could potentially result in material misstatements. We do not propose at this stage, to undertake specific audit procedures in response to these perceived risks. We will continue to monitor these areas during the year and adapt our audit approach as necessary.

Risk factor	Audit response
<p>Allocation of FRS 17 Pension Liability (Bridge House Estates and City's Cash)</p> <p>The City of London Corporation has decided to split the defined benefit pension liability (£342m at 31 March 2013) between the three funds for the first time in 2013-14. This split is likely to be done on the basis of pensionable pay.</p> <p>The City Fund liability requires valuation and disclosure in line with IAS 19 under International Accounting Standards, whereas Bridge House Estates and City's Cash will require valuation and disclosure in line with FRS 17 under UK GAAP. The magnitude of any differences between the two valuations is not yet known.</p>	<p>Our work will include:</p> <ul style="list-style-type: none"> ▪ reviewing and assessing the methodology of the split between the three funds; and ▪ agreeing the disclosures and confirming they are in accordance with UK GAAP.
<p>Disclosure of reserves (Bridge House Estates)</p> <p>We consider that the disclosure of reserves in the Bridge House Estates financial statements could be enhanced to demonstrate the availability and type of reserves held – providing greater transparency.</p>	<p>Our work will include:</p> <ul style="list-style-type: none"> ▪ reviewing and assessing the methodology of the split between the reserves; and ▪ agreeing the disclosures and confirming they are in accordance with UK GAAP.
<p>Major capital project (City's Cash)</p> <p>Following the completion of a major capital project a claim has been made to the City of London Corporation for costs incurred. Amounts were recognised in the 2012-13 City's Cash financial statements as an accrual and contingent liability. As the claim progresses, the amounts recognised in the financial statements will require to be reviewed and reconsidered to ensure that they remain appropriate.</p>	<p>Our work will include:</p> <ul style="list-style-type: none"> ▪ discussion with officers and review of supporting documentation to agree the rationale for disclosures made in the financial statements; and ▪ reviewing and considering the disclosures made in the financial statements to ensure that they remain appropriate and in line with UK GAAP and are materially correct
<p>Crossrail funding (City's Cash)</p> <p>An agreement was previously made that the City of London Corporation would seek voluntary contributions totalling £150m from London businesses subject to the full active support of Government, with City's Cash underwriting the first £50m. We understand that discussions with central government have moved on such that the City Corporation has agreed to assist the Crossrail Art Strategy in return for the Government relieving the commitment to fundraise up to £150m from City businesses and deferring the City's own underwriting of £50m to a future date beyond 2016.</p>	<p>Our work will include:</p> <ul style="list-style-type: none"> ▪ discussion with officers and review of supporting documentation to assess and agree the accounting treatments and disclosures made in the financial statements; and ▪ reviewing and considering the disclosures made in the financial statements to ensure that they remain appropriate and in line with UK GAAP and are materially correct.

Risk factor	Audit response
<p>Service based review (City's Cash)</p> <p>The City of London Corporation is undertaking a full service review of both City Fund and City's Cash to establish where savings can be made in future years to ensure a balanced budget. We understand that it is unlikely there will be any major financial impact in 2013-14.</p>	<p>Our work will include:</p> <ul style="list-style-type: none"> ▪ discussion with officers and review of supporting documentation to agree whether any disclosures would be appropriate in the financial statements.
<p>Grant expenditure (Bridge House Estates)</p> <p>Bridge House Estates, through the City Bridge Trust, is committed to supporting charities in London from funds that are not required for the primary purpose of maintaining five Thames bridges. It is essential that the processes and controls in place ensure that grant payments made are used as intended.</p>	<p>Our work will include:</p> <ul style="list-style-type: none"> ▪ discussion with officers and review of processes and controls in place over grant claims and grant expenditure; and ▪ review and consideration of processes in place to establish how funds have been spent and whether there has been claw back of funds where they have not been used as originally intended.
<p>Application of FRS 102 (All funds and entities)</p> <p>We note the upcoming application of FRS102, the update to UK GAAP, and the associated changes to the Charities SORP in 2015-16. While this will not impact on 2013-14 directly, the balance sheets at 31 March 2014 will form the basis of the opening balance sheet for comparatives in the 2015-16 accounts. Planning is required now to ensure that all required disclosures will be able to be met.</p>	<p>Our work will include:</p> <ul style="list-style-type: none"> ▪ discussion with officers and assistance in planning to ensure processes are in place to meet the required disclosures of FRS 102 and the expected disclosures of the revised Charities SORP.
<p>Oracle upgrade (All funds and entities)</p> <p>The City of London Corporation are planning to upgrade the Oracle finance system during the 2014-15 year. While this will have no financial impact on the 2013-14 financial statements, we recognise that there may be an impact on finance staff availability as the upgrade undergoes testing during our audit period.</p>	<p>Our work will include:</p> <ul style="list-style-type: none"> ▪ clearly setting out our audit logistics plan in advance of our audit visit, to allow the finance and audit teams to identify staff availability leading to a more effective and efficient audit.

We will review the other accounting systems and management controls only as far as we consider necessary to perform an effective audit. As a result, our review may not detect all deficiencies or all improvements that could be made. Where we do uncover any significant deficiencies or weaknesses we will report these to you, with our recommendations for improvements.

6 Audit timetable, fees and our team

6.1 Audit timetable

The timetable set out in this section has been agreed in discussion with management during audit planning. Those dates with an asterisk are still to be confirmed.

Item	Timing	Responsibility	
Audit planning meeting	11 December 2013	All	
Audit planning visit (5 days fieldwork)	w/c 9 December 2013	Moore Stephens	
Audit planning report presented to the Audit and Risk Management Committee	28 January 2014	Moore Stephens	
Interim audit visit (5-8 days fieldwork)	w/c 3 February 2014	Moore Stephens	
Delivery of the 2013-14 Accounts to Moore Stephens	Sundry and Other Trusts Bridge House Estates Open Spaces City's Cash	16 May 2014 30 May 2014 4 June 2014 20 June 2014	City of London Corporation
Final audit visit commences	19 May 2014	Moore Stephens	
Audit completion meeting following final audit visit	TBC	All	
Final audit completion meeting with management	TBC	All	
Audit Review Panel Meeting	TBC	Audit Review Panel	
Audit and Risk Management Committee to consider Annual Report and Accounts and Audit Completion Report for all entities and funds.	21 July 2014	City of London Corporation	
Chamberlain signs accounts	w/c 14 July 2014*	Chamberlain	
Signed accounts delivered to Moore Stephens for Audit Certificates to be signed	w/c 14 July 2014*	Moore Stephens	

6.2 Audit fee

The fee for the 2013-14 of the of the bodies covered by this document was agreed following a tender process and amounts to £115,000.

Completion of our audit in line with the timetable and fee is dependent upon:

- City of London Corporation delivering a complete Annual Report and Accounts of sufficient quality that have been subject to appropriate internal review on the date agreed;
- City of London Corporation delivering good quality supporting evidence and explanations within the agreed timetable; and
- Appropriate City of London Corporation staff being available during the audit.

If significant issues arise and we are required to perform additional work which would result in a change in our fee, we will discuss this with you as soon as possible.

6.3 Key audit staff

Moore Stephens Partner	Nick Bennett Tel: 020 7651 1805 E-mail: nick.bennett@moorestephens.com	Nick will have overall responsibility for the audit opinions on the Bridge House Estates and Sundry Trusts and other accounts, and for the City of London contract with Moore Stephens LLP. Either Nick or Adrian will attend Audit & Risk Committee meetings as appropriate.
Moore Stephens Partner	Adrian Brook Tel: 020 7651 1703 E-mail: adrian.brook@moorestephens.com	Adrian will manage and will have overall responsibility for the audit opinion on the City's Cash audit work. Adrian will act as a key Moore Stephens contact during the audit.
Moore Stephens Senior Manager	Ann Mathias Tel: 020 7651 1787 E-mail: ann.mathias@moorestephens.com	Ann will be responsible for the audits of the Bridge House Estates, City's Cash Trusts and Sundry Trusts. She will manage the on-site audit staff, review audit working papers and be responsible for resolving key audit issues.
Moore Stephens Senior Manager	Lucy Nutley Tel: 020 7651 1530 E-mail: lucy.nutley@moorestephens.com	Lucy will be responsible for the audits of City's Cash and the open spaces account. She will manage the on-site audit staff, review audit working papers and be responsible for resolving key audit issues.

6.4 Confirmation of independence

Ethical Standard 1 – *integrity, objectivity and independence*, issued by the Auditing Practices Board (APB), requires that external auditors ensure that the Audit and Risk Management Committee is appropriately informed on a timely basis of all significant facts and matters that bear upon the auditors' objectivity and independence.

We confirm that we will comply with APB Ethical Standards throughout our audit and that, in our professional judgement, there are no relationships between our firm and the City of London Corporation which need to be brought to your attention because they may impact on the independence and objectivity of the audit team.

Appendix 1 – Entities Covered by the Plan

The list of entities which are covered by this document are included in the table below. We have included in the table incoming resources, surplus/deficit and net assets based on 2012-13 accounts along with our initial assessment of materiality. Materiality has been calculated based on either the net assets of the entity or incoming resources and will be revisited as part of our final audit of the financial statements.

Activities (Taken from 2012-13 Accounts)	Incoming Resources £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Indicative Materiality £'000
Bridge House Estates	43,200	8,900	959,600	430
City's Cash	140,500	(4,800)	1,827,900	1,500
City's Cash Trusts				
Ashted Common Preservation of the common at Ashted	564	0	0	5
Burnham Beeches and Stoke Common Preservation of the Open Space know as Burnham Beeches	940	(3)	838	9
Epping Forest Preservation of Epping Forest in perpetuity	7,011	562	6,471	65
Hampstead Heath Preservation of Hampstead Heath for the recreation and enjoyment of the public	8,436	(174)	27,959	84
Highgate Wood and Queens Park Kilburn Preservation of the Open Space known as Highgate Wood and Queens Park Kilburn	1,344	(22)	421	13
Sir Thomas Gresham Charity Provision of Almshouses and public lectures at Gresham College	36	0	0	1
West Ham Park Preservation of the open space known as West Ham Park	1,430	9	149	10
West Wickham Common and Spring Park Coulsdon & Other Commons Preservation of West Wickham Common and Spring Park Wood, and Coulsdon and Other Commons	1,356	0	0	10
Sundry Trusts				
Charities Administered ICW the City of London Freeman's School Promotion of education through prizes	10	7	152	2
City Educational Trust Fund Advancement of education through grants	103	(75)	3,194	45
City of London Almshouses Almshouses for poor or aged people	325	32	1,249	4

Activities (Taken from 2012-13 Accounts)	Incoming Resources	Surplus/ (Deficit)	Net Assets	Indicative Materiality
	£'000	£'000	£'000	£'000
Sundry Trusts Continued				
City of London Corporation Combined Education Charity	396	395	852	5
Advancing education by the provision of grants and financial assistance				
City of London Corporation Relief of Poverty Charity	4	(1)	143	2
Relief of poverty for widows, widowers or children of a Freeman of the City of London				
City of London Freeman's School Bursary Fund	19	19	677	1
Promotion of education through bursaries				
City of London School Bursary Fund	220	152	2,927	2
Promotion of education through bursaries, scholarships and prizes				
City of London School Education Trust	1	(8)	15	1
Advancing education				
City of London School Girls Bursary Fund	552	(237)	3,531	8
Promotion of education through bursaries, scholarships and prizes				
Corporation of London Charities Pool	4,292	3,670	18,418	305
Investments pool for Sundry Trusts				
Emmanuel Hospital	55	(16)	2,054	1
Payment of pensions and financial assistance to poor persons				
Guildhall Library Centenary Fund	1	1	20	1
Provision of education and training in library, archives, museum, and gallery services				
Hampstead Heath Trust	1,127	(264)	26,907	12
To meet a proportion of the maintenance cost of Hampstead Heath				
Keats House	411	33	221	5
Maintenance of Keats' House				
King George's Field	22	0	0	1
Open space for sports, games and recreation				
Samuel Wilson's Loan Trust	54	41	1,835	1
Granting of low interest loans to young people who have or are about to set up in business				
Signore Pasquale Favale Bequest	1	0	11	1
Granting of assistance to eligible persons in the form of marriage portions				

Activities (Taken from 2012-13 Accounts)	Incoming Resources	Surplus/ (Deficit)	Net Assets	Indicative Materiality
	£'000	£'000	£'000	£'000
Sundry Trusts Continued				
Sir William Coxen Trust Fund	112	36	2,382	1
Granting of assistance to eligible charitable trusts in the form of donations				
Vickers Dunfee Memorial Benevolent Fund	5	5	181	3
Financial assistance to distressed past and present members of the CoL Special Constabulary and their dependents				

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Audit and Risk Management Work Programme 2014

(Please note - additions since last meeting in italic)

Date	Items
4 March	<ul style="list-style-type: none"> • 2014/15 Internal audit plan • Internal Audit Progress Report • Internal Audit recommendations follow-up report • Investigation Update report • Strategic Risk Review – New: Safeguarding (if approved in Jan as Strategic Risk) • Strategic Risk Review - Old SR11 expanded to generic Ponds and Dams Risk (moved back from Jan 2014, as would only have been 6 months since previous report and Committee requested 9 monthly updates) • Annual Governance Statement - methodology • <i>Committee Effectiveness Review – annual update</i>
13 May	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update • <i>Strategic Risk Review – Old SR16 expanded to broader Information Management risk (was just Data Protection) – as per Zurich recommendation</i> • <i>Strategic Risk xx– tbc</i> • <i>Outcome of Internal Audit Peer Review</i> • Head of Internal Audit Opinion and Annual report • HMIC Police Inspections Summary report • Annual Governance Statement – 2013/14 • Private Member meeting with Head of Internal Audit
22 July	<ul style="list-style-type: none"> • Audited 2013/14 City Fund and Pension Fund Financial Statements together with Deloitte's report thereon • Audited 2013/14 Bridge House Estates and Sundry Trusts Financial Statements together with Deloitte's report thereon • Audited 2013/14 City's Cash and City's Cash Trust Funds Financial Statements together with Moore Stephens report thereon

9 September	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal audit recommendations follow-up report • Investigations Update report • Risk Management Update • 2 Strategic Risk Reviews – tbc
4 November	<ul style="list-style-type: none"> • Internal Audit Planning for 2014/15 • <i>Cash Handling and Banking – Internal Audit Follow-up</i> • 2 Strategic Risk Reviews – tbc
8 December	<ul style="list-style-type: none"> • Deloitte's Annual Audit Letter on the City Fund and Pension Fund Financial Statements • Deloitte's annual audit plan for City Fund Financial Statements including agreement of the audit fee • Deloitte's annual audit plan for the Pension Fund Financial Statements including agreement of the audit fee • Moore Stephens - annual audit plan for the Non Local Authority Funds including agreement of the audit fee • Internal Audit Progress Report • Internal audit recommendations follow-up report • Anti-Fraud & Investigation Update report • Risk Management Update

Agenda Item 19

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Agenda Item 20

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of the Local Government Act 1972.

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Agenda Item 23

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of the Local Government Act 1972.

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